United States Court of Appeals for the Fifth Circuit

No. 23-20218

In re Dynamic Offshore Resources NS, L.L.C., *Et al.*,

Debtors,

QuarterNorth Energy, L.L.C., and certain of its affiliates,

Appellee,

versus

Atlantic Maritime Services, L.L.C.,

Appellant.

Appeal from the United States Bankruptcy Court
for the Southern District of Texas
USDC Nos. 4:20-AP-3476, 4:20-MC-33476

Before Graves and Wilson, *Circuit Judges*.[†]

Per Curiam:[*]

[†] Judge Richman was a member of the panel that heard oral argument. She has since recused and has not participated in this decision. This appeal is being decided by a quorum. *See* 28 U.S.C. § 46(d).

[*] This opinion is not designated for publication. *See* 5th Cir. R. 47.5.

QuarterNorth Energy (QuarterNorth)—which was substituted for Fieldwood Energy (Fieldwood) as the plaintiff in the underlying litigation—sought a declaration that Fieldwood's Chapter 11 reorganization plan extinguished statutory privileges held by Atlantic Maritime Services (Atlantic) over non-debtor property.[1] The bankruptcy court entered judgment in favor of QuarterNorth, declaring that Atlantic's privileges "were extinguished by the 'satisfaction' and 'settlement' language in Fieldwood's Plan." Atlantic appealed. We reverse the bankruptcy court's judgment and remand for further proceedings.

I.

This dispute stems from a debt owed by Fieldwood Energy to Atlantic Maritime Services. Fieldwood, as the designated operator for various oil-and-gas wells, hired Atlantic to provide drilling services. Atlantic provided those services and charged Fieldwood over $13 million for them. Before paying Atlantic, however, Fieldwood (and its affiliates) filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Southern District of Texas.

After Fieldwood filed for bankruptcy, Atlantic sought to recover on Fieldwood's debt by asserting statutory privileges over the property of third-party non-debtors. The Louisiana Oil Well Lien Act (LOWLA) provides a contractor that performed work on an oil-and-gas well a "lien over the property of an operator or lessee in order to secure 'the price of his contract for operations.'" *Cutting Underwater Techs. USA, Inc. v. Eni U.S. Operating Co.*, 671 F.3d 512, 518 (5th Cir. 2012) (per curiam) (quoting LA. STAT. § 9:4862(A)(1)). Under LOWLA, "a 'lessee' is 'a person who owns

[1] The existence of some of Fieldwood's statutory privileges is still disputed, but for purposes of this appeal, the parties assumed they existed.

an operating interest.'" *Id.* at 518 n.8 (quoting LA. STAT. § 9:4861(6)). Accordingly, Atlantic filed two lawsuits in the Eastern District of Louisiana (the Louisiana Lawsuits) seeking the recognition and enforcement of LOWLA privileges over certain property of non-debtor working-interest owners of the leases on which Atlantic provided drilling services.

Fieldwood, although not a party to the Louisiana Lawsuits, initiated an adversary proceeding in its Chapter 11 bankruptcy to have the court extend the bankruptcy's automatic stay to the Louisiana Lawsuits. The bankruptcy court did so.

Fieldwood later sought a more permanent resolution of the Louisiana Lawsuits. On the same day Fieldwood distributed its proposed plan of reorganization, it amended its adversary complaint against Atlantic. In Count VI of its amended complaint, Fieldwood sought a "Declaration that Satisfaction, Settlement, and Discharge of Atlantic's Claims Under the Plan Shall Extinguish Any Privileges Held by Atlantic Under LOWLA." In Count IX, Fieldwood sought an accompanying permanent injunction. Soon after, Atlantic moved to dismiss Fieldwood's request for declaratory relief, and Fieldwood moved for summary judgment.

The bankruptcy court confirmed Fieldwood's proposed plan before ruling on either Fieldwood's motion for summary judgment or Atlantic's motion to dismiss. Notably, Fieldwood's proposed plan included several provisions relevant to those motions. First, the plan included several provisions that purported to satisfy and settle creditors' claims. In particular, the proposed plan stated:

- "[I]n full and final satisfaction of and in exchange for" their general unsecured claims, holders of general unsecured claims "shall receive" their "Pro Rata Share" of "GUC Warrants" and "any Residual Distributable Value."

- "[A]ny distributions and deliveries to be made on account of Allowed Claims under the Plan shall be in complete and final satisfaction, settlement, and discharge of and exchange for such Allowed Claims."
- "[T]he distributions, rights and treatment to be made under the Plan, shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Interests, and Causes of Action of any nature whatsoever."

Second, the proposed plan contained two optional non-debtor releases. Creditors who "did not opt out" of granting certain releases would release a defined list of "Released Parties." Also, unsecured creditors could execute a "Trade Agreement" that expressly "waiv[ed] . . . any and all liens against . . . any [Debtor] affiliated person or entity (including any co-working interest owner of the Debtors), or any such person's or entity's respective assets or property (real or personal)." If an unsecured creditor executed a "Trade Agreement," it would receive a higher recovery under the plan.

During the plan confirmation process, Atlantic opted out of the non-debtor releases, voted to reject the plan, and did not execute a Trade Agreement. Atlantic also made the following objection:

> Atlantic confirms that it is opting out of any and all third-party releases under the proposed Plan and objects to any and all provisions of the Plan that purport to expand the discharge beyond the scope set forth in sections 524 and 1141 of the Bankruptcy Code or in any way modify, release, impair, or affect Atlantic's privileges, liens, and claims against non-debtors or non-debtor property based on its work on the Leases (or any other transactions).

The bankruptcy court overruled that objection in its confirmation order, and Atlantic did not appeal.

Several months after confirming the plan, the bankruptcy court returned to the adversary proceeding between Fieldwood and Atlantic, denying both Fieldwood's motion for summary judgment and Atlantic's motion to dismiss. The court then heard evidence and argument on the matter and issued a bench ruling in favor of Atlantic, concluding that the terms "satisfaction and settlement" are "colloquial terms dealing with a discharge." Accordingly, the bankruptcy court "allow[ed] the litigation in Louisiana to proceed."

QuarterNorth—which acquired Fieldwood's assets and was substituted for Fieldwood as the plaintiff in the proceeding—moved for reconsideration based on purportedly incorrect factual findings supporting the bankruptcy court's bench ruling. The bankruptcy court granted QuarterNorth's motion and flipped its ruling.

In its reconsideration opinion, the bankruptcy court determined that "satisfaction" and "settlement" "were not boilerplate terms without intentionality." Instead, the bankruptcy court held that "Atlantic's alleged LOWLA privileges were extinguished by the 'satisfaction' and 'settlement' language in Fieldwood's Plan." While "a bankruptcy discharge—standing alone—does not extinguish debt," the bankruptcy court determined that "Fieldwood's plan provides for more than a bankruptcy discharge." The bankruptcy court concluded that "Fieldwood's obligation to Atlantic, instead of simply being discharged, was fulfilled and extinguished," such that "Atlantic's alleged LOWLA privileges were extinguished" under Louisiana law. The bankruptcy court entered judgment for QuarterNorth on its claims

for declaratory and injunctive relief.[2] Atlantic filed a notice of appeal, and we granted permission to appeal directly.

II.

A.

The primary question on appeal is whether the terms "satisfaction" and "settlement" in Fieldwood's Chapter 11 reorganization plan extinguished Atlantic's statutory privileges over non-debtor co-working-interest owners' property. Under Louisiana law, a LOWLA "privilege is extinguished . . . [u]pon extinction of the obligation it secures." LA. STAT. § 9:4864(B)(1). If Fieldwood's obligation to Atlantic was rendered extinct, then Atlantic's LOWLA privileges over non-debtor co-working-interest owners' property were extinguished.

The mere discharge of Atlantic's claim against Fieldwood pursuant to 11 U.S.C. § 524 is not sufficient to render Fieldwood's obligation to Atlantic "extinct." Louisiana courts have "consistently held that discharge in bankruptcy is neither payment nor extinguishment of the debts discharged; it is simply a bar to their enforcement by legal proceedings." *Household Fin. Corp. of Baton Rouge v. LeJeune*, 205 So. 2d 771, 774 (La. Ct. App. 1967), *remanded on other grounds*, 207 So. 2d 541 (La. 1968); *see also Nolan v. Audubon Ins. Grp.*, 2010-1362, p. 3 (La. App. 3 Cir. 3/9/11), 59 So. 3d 487, 489 ("[J]ust because the banks are prohibited from attempting to collect the discharged debt from the [debtors] personally does not mean that the debt itself is extinguished or that the banks cannot go after a third party . . . ." (cleaned up)). This court has also acknowledged that "[a] discharge in bankruptcy

[2] The bankruptcy court had already dismissed Counts I, V, VII, and VIII in a previous proceeding. Based on the judgment entered in Count VI and IX, the bankruptcy court also dismissed Counts II, III, and IV as moot.

does not extinguish the debt itself, but merely releases the debtor from personal liability for the debt. Section 524(e) specifies that the debt still exists and can be collected from any other entity that might be liable." *In re Edgeworth*, 993 F.2d 51, 53 (5th Cir. 1993).

Accordingly, Atlantic's claims against Fieldwood were only rendered extinct if, as the bankruptcy court concluded, "Fieldwood's plan provides for more than a bankruptcy discharge." The bankruptcy court determined that "Fieldwood's obligation to Atlantic, instead of simply being discharged, was fulfilled and extinguished," such that "Atlantic's alleged LOWLA privileges were extinguished" under Louisiana law. We disagree.

It is important to acknowledge that we are not addressing whether the bankruptcy court had the authority to extinguish Atlantic's LOWLA privileges. Any argument that the bankruptcy court exceeded its authority in confirming the plan should have been raised in a direct appeal from the plan confirmation. *See In re Linn Energy, L.L.C.*, 927 F.3d 862, 866–67 (5th Cir. 2019) (noting that final bankruptcy orders "become res judicata to the parties" regardless of whether the orders were "proper exercises of bankruptcy court jurisdiction and power at the time they became final" (internal quotation marks and citations omitted)). Atlantic brought no such appeal. Therefore, we are limited to interpreting the provisions of the plan. *See In re Applewood Chair Co.*, 203 F.3d 914, 918–20 (5th Cir. 2000) (reviewing the district court's "clarification" of the bankruptcy plan despite guarantor's res judicata argument); *see also Hernandez v. Larry Miller Roofing, Inc.*, 628 F. App'x 281, 286 n.4 (5th Cir. 2016), *as revised* (Jan. 6, 2016) (noting that "once the time for . . . directly appealing[] a plan has passed, parties may not challenge particular provisions of a plan as exceeding the bankruptcy court's authority," but the court may "interpret the provisions of the Plan as written in light of our precedent").

B.

Bankruptcy plans represent "a kind of consent decree that should be interpreted as a contract." *In re Tex. Com. Energy*, 607 F.3d 153, 158 (5th Cir. 2010). We review a bankruptcy court's interpretation of a bankruptcy plan it confirmed *de novo* but "defer to the bankruptcy court's reasonable resolution of . . . ambiguities in those documents." *In re AKD Invs.*, 79 F.4th 487, 491 (5th Cir. 2023) (omission in original) (citation omitted). "[H]owever, the documents must truly be ambiguous, even in light of other documents in the record, before we will defer." *Id.* (alteration in original) (citation omitted). The determination of whether the bankruptcy plan "is clear or ambiguous is a question of law." *In re Tex. Gen. Petroleum Corp.*, 52 F.3d 1330, 1335 (5th Cir. 1995). In this case, the bankruptcy plan instructs us to interpret it under Texas law.

The terms "satisfaction" and "settlement"—as used in the context of Fieldwood's bankruptcy plan—are not ambiguous. These terms clearly connote a bankruptcy discharge under 11 U.S.C. § 524. We first note that the bankruptcy court and Fieldwood's counsel both initially recognized that the terms "satisfaction" and "settlement" are "colloquial terms dealing with a discharge" that seem to appear in "every [confirmation] plan." The terms are regularly used in conjunction with the term "discharge," and QuarterNorth's own complaint fails to distinguish among the terms "satisfaction," "settlement," and "discharge."

Nonetheless, QuarterNorth argues that the plan's use of the terms "satisfaction" and "settlement" in certain places where it does not use the term "discharge" confirms that the terms have distinct meanings. Therefore, according to QuarterNorth, the terms "satisfaction" and "settlement" should be given their dictionary definitions. But this argument strips the words of their context. *See Horn v. State Farm Lloyds*, 703 F.3d 735,

739 (5th Cir. 2012) (noting that terms "must be interpreted in light of the context in which [they] appear"). The related use of the terms "satisfaction," "settlement," and "discharge" across bankruptcy plans creates a presumption that they form a triplet connoting a bankruptcy discharge. *See, e.g.*, *In re Paddock Enters., LLC*, No. 20-10028 (LSS), 2022 WL 1746652, at *20 (Bankr. D. Del. May 31, 2022) (bankruptcy confirmation order using the triplet "satisfaction, settlement, and discharge"); *In re Maremont Corp.*, 601 B.R. 1, 48 (Bankr. D. Del. 2019) (same); *In re T H Agric. & Nutrition*, L.L.C., No. 08-14692 (REG), 2009 WL 7193573, at *22 (Bankr. S.D.N.Y. May 28, 2009) (same); *see also* BRYAN GARNER, THE REDBOOK: A MANUAL ON LEGAL STYLE § 12.2(f) (4th. ed. 2018) (noting that triplets such as "remise, release, and forever discharge" are common "in legal writing, especially contracts").

This court has previously heard and rejected arguments like QuarterNorth's. In *R.I.D.C. Industrial Development Fund v. Snyder*, we rejected a guarantor's argument that "the inclusion of 'cancelled' and 'extinguished' along with 'discharged'" in a Chapter 11 reorganization plan "expressed an intent to 'absolutely annihilate' the debt," therefore "preventing the creditor from having recourse to the guarantor." 539 F.2d 487, 490 n.3 (5th Cir. 1976) (alterations accepted). In support of that conclusion, we noted that the bankruptcy court could "affect only the relationships of debtors and creditor." *Id.* Similarly, in *Austin Hardwoods, Inc. v. Vanden Berghe*, a Texas court rejected a guarantor's argument that he was released from liability on his guarantee because the bankruptcy plan stated that creditors' claims were "fully satisfied." 917 S.W.2d 320, 323–25 (Tex. App.—El Paso 1995, writ denied). Instead, the court held that the "fully satisfied" language, "as a matter of law, effected neither a discharge of [the guarantor] nor a satisfaction of the underlying obligation." *Id.* at 324. These cases strongly suggest the terms "satisfaction" and "settlement"—

as used in Fieldwood's bankruptcy plan—do nothing more than discharge Fieldwood's liability for its debt to Atlantic.

QuarterNorth argues that *Ray v. Leatherman*, a Louisiana appellate court decision, is more pertinent to this case, but we disagree. 96-542 (La. App. 3 Cir. 10/9/96), 688 So. 2d 1133, *writ denied*, 96-2709 (La. 1/6/97), 685 So. 2d 123. The bankruptcy order in *Ray* expressly limited a specific creditor's ability to collect on a promissory note, which was secured by a mortgage on a property, "by proceeding *only* against the property." *Id.* at 8, 688 So. 2d at 1137. Moreover, the order "expressly extinguish[ed]" the obligation underlying the promissory note. *Id.* In light of the order's language, the court determined that it was "unambiguous" that the creditor was not permitted to pursue a deficiency judgment on the promissory note after foreclosing on the property. *Id.* at 7, 688 So. 2d at 1136. In contrast, Fieldwood's plan does not specifically discuss Fieldwood's debt to Atlantic, much less expressly extinguish Atlantic's LOWLA privileges over non-debtor working-interest owners' property.

Indeed, there is nothing in Fieldwood's plan that convinces us we should depart from our conclusion in *Snyder* or stray from the Texas court's interpretation in *Austin Hardwoods*. To the contrary, Fieldwood's plan confirms that the terms "satisfaction" and "settlement" do nothing more than discharge the debtor's liability. Notably, the plan gave unsecured creditors an opportunity to obtain a higher recovery if they waived "any and all liens" against "any co-working interest owner of the Debtors." Atlantic did not agree to waive its privileges under that provision. If the terms "settlement" and "satisfaction" extinguished Atlantic's privileges in any event, as QuarterNorth argues, then Atlantic's choice in the matter was illusory. But we interpret contracts to avoid rendering entire provisions "redundant" or "without purpose." *Certain Underwriters at Lloyd's, London v. Axon Pressure Prods. Inc.*, 951 F.3d 248, 262 (5th Cir. 2020).

Our conclusion is bolstered by our caselaw addressing third-party releases in post-confirmation proceedings. Before giving effect to non-consensual third-party releases—which are generally beyond the statutory grant of the Bankruptcy Code, *see In re Zale Corp.*, 62 F.3d 746, 760 (5th Cir. 1995)—we require the releases to discharge third parties *specifically*. *See Applewood*, 203 F.3d at 919–20. Relying on this principle, we have declined to conclude that third parties were released from liability when the purported release used only "generic" language and failed to name the third party expressly. *Id.* at 919; *Hernandez*, 628 F. App'x at 288. In contrast, we have given effect to third-party releases when the intended effect of the plan was undisputed and the plan specifically identified a third party that contributed to the bankruptcy plan. *E.g.*, *Republic Supply Co. v. Shoaf*, 815 F.2d 1046, 1047–50 (5th Cir. 1987). QuarterNorth's attempt to extinguish Atlantic's privileges on non-debtor property through "colloquial" bankruptcy terms is the type of veiled attempt at a third-party release that this court has rejected.

Neither QuarterNorth's arguments nor the bankruptcy court's reasoning persuade us that the terms "satisfaction" and "settlement" do anything other than discharge Fieldwood's liability. In its reconsideration opinion, the bankruptcy court concluded that our caselaw on third-party releases was inapposite because Atlantic's privileges "apply to property." This is a distinction without a difference. As one bankruptcy court explained, "[f]or purposes of compliance with [11 U.S.C.] § 524(e), a plan which compels a creditor to release liens against properties of non-debtors is indistinguishable from a plan which forces a creditor to release guarantors from their personal liability." *In re Keller*, 157 B.R. 680, 686 (Bankr. E.D. Wash. 1993).

Furthermore, the bankruptcy court relied heavily on Fieldwood's disclosure statement to conclude that the terms "satisfaction" and

"settlement" do not connote a bankruptcy discharge. In its disclosure statement, Fieldwood described its amended complaint in this adversary proceeding:

> [T]he Debtors filed an amended adversary complaint in the Atlantic Proceeding . . . seeking . . . among other relief, determinations from the Bankruptcy Court that . . . upon the satisfaction, settlement, and discharge of Atlantic's claims pursuant to the Plan, any Louisiana privileges held by Atlantic will be "extinguished" under LOWLA section 4864, including any alleged Louisiana privileges that extend to the [Working Interest Owners'] working interests in such leases.

We fail to see how Fieldwood's explanation of its complaint in this proceeding is itself dispositive. The bankruptcy court was correct in its initial ruling when it concluded that the terms "satisfaction and settlement" were "colloquial terms dealing with a discharge." Relying on Fieldwood's disclosure statement, the bankruptcy court changed its view, concluding that the terms were "not boilerplate terms without intentionality." But a party cannot give unambiguous terms hidden meanings simply by disputing their meaning in a complaint, and a contract is not rendered ambiguous by the mere fact that the parties do not agree on its proper construction or scope. *See Canutillo Indep. Sch. Dist. v. Nat'l Union Fire Ins. Co. of Pittsburgh*, 99 F.3d 695, 708 n.15 (5th Cir. 1996) ("[N]ot every difference in the interpretation of . . . an insurance policy amounts to an ambiguity." (omission in original) (citation omitted)).

In conclusion, Fieldwood's reorganization plan clearly does not render Fieldwood's obligation to Atlantic extinct; it merely discharges Fieldwood's liability for the debt. Accordingly, the plan did not extinguish Atlantic's LOWLA privileges on the working-interest owners' property.

* * *

We REVERSE the bankruptcy court's judgment in favor of QuarterNorth on Counts VI and IX of its amended complaint. We REMAND for proceedings consistent with this opinion.