



Environmental Due Diligence Guide

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Bankruptcy Cases Dismissed After Court Finds 'Bad Faith'

A federal appeals court Dec. 22, 2009, dismissed two bankruptcy petitions brought by oil and gas exploration companies, finding they were filed to avoid liability in a hazardous waste case and lacked a good-faith bankruptcy purpose (*In re: 15375 Memorial Corp.*, 3d Cir., No. 09-1391, 12/22/09).

The U.S. Court of Appeals for the Third Circuit rejected Chapter 11 bankruptcy petitions filed by 15375 Memorial Corp. and Sante Fe Minerals Inc., upholding a decision by the U.S. District Court for the District of Delaware.

The Third Circuit ruled the petitions served no valid bankruptcy purpose but were filed primarily as a litigation tactic in a lawsuit in which the companies expected liability to be assessed against them.

In 2005, Santa Fe and others were sued for approximately \$320 million in state-law property claims for serious contamination of real estate in Aveyelles Parish, La.

According to the appeals court, all the parties in the case were involved in oil and gas exploration. The two debtors were subsidiaries of GlobalSantaFe Corp. They listed their addresses at the U.S. headquarters for GlobalSantaFe, 15375 Memorial Drive, Houston, Texas, but did not have actual offices there or elsewhere. Memorial was identified as a holding company with no employees and no business other than acting as the sole shareholder of Santa Fe.

Text of the decision is available at <http://www.ca3.uscourts.gov/opinarch/091391p.pdf>.

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