

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS

IN RE:)
) Bankruptcy Case No. 86-30597
ARTHUR BUCHANAN and)
JOYCE BUCHANAN,)
)
)
Debtors.)

O P I N I O N

The matters before the Court are the Motion to Approve Settlement and Revised Motion to Approve Settlement filed by Debtors and Objections to Motion to Approve Settlement filed by several creditors. A hearing was held on August 19, 1988, in Effingham, Illinois.

Bi-Petra, Inc. (Bi-Petro) and Debtors asked the Court to approve a settlement between Debtors and Bi-Petro and another agreement between Bi-Petro and Alexander M. Cornwell, Jr. (Cornwell). The underlying controversy involves an oil and gas lease in White County, Illinois. The terms of the settlement are as follows:

1. Bi-Petro will pay Cornwell \$12,000.
2. Debtors will release Cornwell of all expenses up to December 1, 1987.
3. Cornwell will assign all his interest in said oil lease to Debtors.
4. Debtors will assign to Cornwell 3/64 of 13/16 a carried working interest in said lease.
5. All parties will exchange releases.

In determining whether this settlement should be approved, this Court relies on In re American Reserve Corp., 841 F.2d 159 (7th Cir. 1987), for the appropriate factors to consider.

The settlement will have the effect of enabling Debtors to profitably operate oil wells that currently are not producing any oil and will cause enough money to be generated to cover the operation expenses of the wells.

After carefully considering the arguments of counsel, it is the determination of this Court that the settlement agreement should be approved for the following reasons:

A. Under the terms of the settlement agreement, Debtors gain a 5/64 working interest in certain wells that will generate income to the estate.

B. The settlement agreement will eliminate the claims of Bi-Petro and Cornwell against Debtors.

C. The settlement agreement will reduce administrative expenses to be born by the estate.

D. The settlement agreement will enable Debtors to profitably operate certain wells that currently are not producing any oil.

E. Approval of the settlement agreement will avoid costs of litigation.

For the foregoing reasons, the Court has determined that it is in the estate's best interests to approve the settlement. Debtors' Revised Motion to Approve Settlement is therefore ALLOWED and the objections filed by the creditors are DENIED.

/s/ GERALD D. FINES
U.S. Bankruptcy Judge

ENTERED: September 7, 1988

xc: Raymond Funderburk
Guy McGaughey, Jr.
Edward Blake, Jr.
David Foreman
U.S. Trustee