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MMA Railway bankruptcy trustee casts wide net for corporations to pay Lac-Megantic victims

By Judy Harrison | November 19, 2014

The bankruptcy trustee in the Montreal, Maine and Atlantic Railway case is casting a wide net in an effort to reach into deep corporate pockets to create a fund to compensate victims and help pay the enormous costs related to the Lac-Megantic rail disaster in Quebec last year.

In September, Robert Keach of Portland asked a federal bankruptcy judge to order nine international companies to turn over all documents that discuss the sale of crude oil obtained from the Bakken Foundation in North Dakota, then, shipped by truck and rail into and across Canada.

The motion, granted Wednesday by U.S. Bankruptcy Judge Louis Kornreich, compels ConocoPhillips, Shell Trading U.S. Co., Arrow Midstream Holdings LLC, Enersco Energy LLC, InCorr Energy Group LLC, Marathon Oil Corp., Oasis Petroleum Inc. and QEP Resources Inc. to turn documents over to the trustee.

Keach has asked for any and all communications between the companies to and from the World Services group that owned the oil that was being shipped when the train crashed. Those companies include World Fuel Services Corp.; World Fuel Services Inc.; Western Petroleum Co.; World Fuel Services, Canada, Inc.; and Petroleum Transport Solution Inc. Western Petroleum leased the train cars.

“We’re in negotiations with people who have liabilities to make a contribution to a significant nine-figure fund. Those negotiations continue,” Keach told the Toronto Globe and Mail in June when the railroad was sold for \$15.85 million.

Keach was not available Wednesday to comment on the motion and referred questions to his associate, attorney D. Sam Anderson of Portland.

“Companies that are found to have a connection to the rail cars would give us grounds to add additional parties to the action against World Services,” Anderson said Wednesday. “We are working to maximize recovery for the benefit of the [bankruptcy] estate.”

If the bankruptcy attorneys are able to pull together a settlement that would benefit the victims in Lac-Megantic, costly and lengthy litigation in Canada and the U.S. could be avoided, Keach has said. Wrongful death lawsuits pending in U.S. District Court in Maine have been stayed pending the outcome of the settlement efforts.

Anderson said Wednesday that he hoped payments to victims from the settlement would be available by next summer — the second anniversary of the derailment.

Insurance will provide just \$25 million for victims, according to previously published reports. The total environmental cleanup alone in Lac-Megantic has been estimated at between \$200 million and \$500 million.

The derailment and ensuing fire and explosions killed 47 people, forced another 2,000 from their homes and destroyed much of the downtown core in the village of fewer than 6,000 residents, according to Reuters.

The unmanned train with 72 tank cars full of crude oil roared into Lac-Megantic after a seven-mile downhill run, reaching a top speed of 65 mph, on July 6, 2013, derailling at 1:15 a.m. and releasing 1.5 million gallons of oil that burst into an inferno, a report prepared by the Transportation Safety Board of Canada concluded.

The explosion was caused by the low flash point of the oil. The tanks that carried the oil also were not properly labeled.

More than 1 million barrels of crude are extracted each day from shale formations underneath North Dakota making it the nation's second-largest oil producer after Texas, Reuters reported in September. More than 60 percent of Bakken crude leaves the state on trains.

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