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Oil Hardens in Pipelines, Homeowners Affected by Flare Incident Neglected as Limetree Refinery Runs Out Bankruptcy Funding

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Limetree Bay Refinery

A group of St. Croix residents living downwind from the Limetree Bay Refinery reached out to the Consortium recently to express frustration. They had signed a release document that precluded them from suing Limetree in connection with a [May 12 massive flare incident](#) which propelled large plumes of smoke mixed with oil droplets west of the island. In turn, the refinery promised to pay those individuals a sum of money, clean their roofs and cisterns, and to provide them with clean, drinkable water until the cisterns are cleaned.

Fast forward five months later, Limetree Bay has since filed for bankruptcy and received a \$25 million debtor-in-possession (DIP) financing that included funds to remove the remaining oil from the refinery's pipelines, as well as addressing its debts. Among the obligations are the St. Croix residents who signed release documents with the refinery. Almost 2,000 release documents were signed, and the firm has reportedly provided less than 100 checks.

Attorney Lee Rohn, representing hundreds of clients who did not sign the Limetree Bay Refinery release, said a portion of the \$25 million in funding should have gone to homeowners.

"The DIP money was to give the refinery the ability to pay its bills, and clearly continuing to provide water and cleaning people's roofs and cisterns is an obligation they entered into releases to pay which they haven't paid. And so yes, a portion of that money should have gone to those expenses," Attorney Rohn told the Consortium Thursday.

While the agreements with locals remain unaddressed, professionals hired to manage the bankruptcy process are expected to be paid handsomely out of the \$25 million DIP, according to documents obtained by the Consortium. Riveron RTS, LLC, an advisor representing the Official Committee of Unsecured Creditors such as contractors who worked at the refinery, [has submitted a bill of \\$721,000](#) for services that commenced at the end of July and ended Sept. 30. Pachulski Stang Ziehl & Jones LLP, counsel to the Official Committee of Unsecured Creditors, [has submitted a \\$802,000 bill](#) for services which started at the end of July and ended Sept. 30. Baker & Hostetler LLP, an attorney group representing Limetree Bay Refinery [submitted \\$2.4 million in fees](#) for services that commenced mid-July through Sept. 30. B. Riley Advisory Services, the chief restructuring officer, [has submitted a bill](#) of \$1.2 million.

Funding for these bills from the DIP are expected be approved by the bankruptcy court Judge David Jones, as historically such bills are greenlighted with little to no resistance from judges.

Governor Albert Bryan [had urged](#) those affected by the May 12 incident to consult with an attorney before signing the releases. "I suggest before you sign anything, have somebody legal at least look at it," the governor urged. "We've looked at it and I'm not an attorney to give you sound advice, but you should contact some kind of attorney to review that to see if you may be affected any further by that. I'm neither purporting any suits or anything against any company; all I'm saying is know your rights and execute them."

Lawyers have indicated that there are insurance policies that may be sufficient to pay some or all of the damages caused by the May 12 incident to affected locals, the Consortium has learned. Affected locals also have lawsuits against the Limetree Bay Terminal, BP and venture capital companies, though an outcome would take much longer than insurance funding, for example.

Meanwhile, about half of the oil and gases that are to be purged from the refinery's pipelines using a five-week [Environmental Protection Agency-approved procedure](#) still sit in the pipelines almost two months later, as the refinery has run out of funding. Contractors still in the facility notified some of their workers on Monday, Oct. 18 that they would be laid off.

During an [impromptu status conference hearing last week](#), potential buyers of the oil refinery expressed pessimism regarding the possible restart, with the main issue being concern over the EPA's permitting process.

The status conference was called to discuss differences between bankruptcy lender Arena Investors LP and Limetree Bay over \$5 million of unpaid principal payments that came due Friday. Arena also alleged that Limetree Bay defaulted on \$63,000 of interest payments.

The bankruptcy auction for the Limetree Bay Refinery is scheduled for Friday.

V.I. Consortium video footage of the May 12, 2021 flare incident that led to the shutdown of the Limetree Bay Refinery. (Recorded by Ernice Gilbert)

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