

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:)	
)	Chapter 11
)	
COBALT INTERNATIONAL ENERGY, INC., <i>et al.</i> , ¹)	Case No. 17-36709 (MI)
)	
Debtors.)	(Jointly Administered)
)	

**STIPULATION RESOLVING DEBTORS' MOTION FOR
ENTRY OF AN ORDER DEEMING UNENFORCEABLE CERTAIN
PREFERENTIAL RIGHTS WITH RESPECT TO CHEVRON U.S.A. INC.**

This Stipulation is entered into this 8th day of February, 2018, between the above-captioned debtors and debtors in possession (collectively, the "Debtors,") and Chevron U.S.A. Inc. ("Chevron" and, together with the Debtors, the "Parties"). The Parties hereby stipulate and agree as follows:

WHEREAS, on December 14, 2017 (the "Petition Date"), each Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code.

WHEREAS, on the Petition Date, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Approving Bidding Procedures for the Sale of the Debtors' Assets, (II) Scheduling an Auction, (III) Approving the Form and Manner of Notice Thereof, (IV) Scheduling Hearings and Objection Deadlines with Respect to the Debtors' Disclosure Statement and Plan Confirmation, and (V) Granting Related Relief* [Docket No. 15] (the "Bidding Procedures Motion") requesting an order, among other things, deeming certain preferential purchase rights satisfied in connection with the Debtors' ongoing marketing and sale process.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Cobalt International Energy, Inc. (1169); Cobalt International Energy GP, LLC (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM LLC (7188); Cobalt GOM # 1 LLC (7262); and Cobalt GOM # 2 LLC (7316). The Debtors' service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024.



WHEREAS, on January 4, 2018, Chevron filed an objection to the Bidding Procedures Motion [Docket No. 157] (the “Chevron Objection”), and, on January 24, 2018, the Debtors filed a reply to the Chevron Objection [Docket No. 282].

WHEREAS, on January 25, 2018, the Court held a hearing on the Bidding Procedures Motion and, at the hearing, directed the Debtors to file a further motion seeking entry of an order deeming unenforceable certain preferential rights of purchase.

WHEREAS, on February 1, 2018, the Debtors filed the *Debtors’ Motion for Entry of an Order Deeming Unenforceable Certain Preferential Rights* [Docket No. 346] (the “Motion”).

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED as follows:

1. The foregoing recitals are hereby incorporated by reference into this stipulation with the same force and effect as if fully set forth hereinafter.
2. Chevron and the Debtors have agreed to a waiver of Chevron’s asserted rights of first refusal on the terms and conditions set forth in the letter agreement attached hereto as **Exhibit A**.
3. This stipulation resolves the Chevron Objection and the relief sought in the Motion with respect to Chevron.
4. Each of the parties hereto represents and warrants it is duly authorized to enter into and be bound by this stipulation.
5. This Court shall retain exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this stipulation.

[Remainder of page intentionally left blank.]

Stipulated and agreed by:

Houston, Texas

Dated: February 8, 2018

/s/ Zack A. Clement

Zack A. Clement (Texas Bar No. 04361550)

ZACK A. CLEMENT PLLC

3753 Drummond Street

Houston, Texas 77025

Telephone: (832) 274-7629

-and-

James H.M. Sprayregen, P.C.

Marc Kieselstein, P.C. (admitted *pro hac vice*)

Chad J. Husnick, P.C. (admitted *pro hac vice*)

Brad Weiland (admitted *pro hac vice*)

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Co-Counsel to the Debtors and Debtors in Possession

/s/ Edward L. Ripley

Edward L. Ripley (Texas Bar No. 16935950)

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Houston, Texas 77002

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Counsel for Chevron U.S.A. Inc.



February 8, 2018

Chevron U.S.A. Inc.
1500 Louisiana St.
Houston, Texas 77002
Attention: Mr. Carl R. Rewerts

RE: Letter Agreement Regarding Waiver of Preferential Purchase Right

Dear Mr. Rewerts:

THIS LETTER AGREEMENT ("**Letter Agreement**") is made and entered into by and between Cobalt International Energy L.P., a Delaware limited partnership ("**Cobalt**") and Chevron U.S.A. Inc., a Pennsylvania corporation ("**Chevron**").

Reference is made to (i) that certain Anchor Prospect Offshore Operating Agreement, covering the Green Canyon Area, Outer Continental Shelf, Gulf of Mexico, effective November 26, 2013, between Chevron U.S.A. Inc., Cobalt International Energy, L.P., and Total E&P USA, Inc., and (ii) that certain Anchor Prospect Unit Operating Agreement covering the Green Canyon Area, Outer Continental Shelf, Gulf of Mexico, effective February 1, 2014, between Chevron U.S.A. Inc. and Cobalt International Energy, L.P., and (iii) that certain Anchor North Prospect Unit Operating Agreement, covering the Green Canyon Area Blocks 762 and 763 (W/2), Outer Continental Shelf, Gulf of Mexico, effective January 25, 2016, between Chevron U.S.A. Inc., Cobalt International Energy, L.P., and Venari Offshore LLC, (collectively, as amended, the "**Operating Agreements**").

Cobalt is the owner of record of working interests in certain oil and gas leases subject to one or more of the Operating Agreements (the "**Anchor Unit Assets**"). On December 14, 2017, Cobalt commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas. Cobalt intends, under one or more sales transactions and/or a chapter 11 plan, to effect a Transfer of Interest (as defined in the Operating Agreements) with regard to the Anchor Unit Assets, in connection with Cobalt's chapter 11 cases, to one or more successful bidders (such bidders, the "**Buyers**", and such sale(s) and Transfers of Interest, the "**Transactions**").

By executing this Letter Agreement, subject to the condition that Cobalt, as a debtor in bankruptcy, incorporate provisions in the documentation of the Transactions, (i) making the Transactions subordinate to and expressly subject to all the terms and conditions in the Operating Agreements, and (ii) providing for the assumption by Buyers of all terms and conditions of the Operating Agreements, including but not limited to assumption of all of Cobalt's obligations, right, title and interest in and to the Operating Agreements, solely for purposes of the Transactions, and not any potential future transaction, Chevron hereby waives its rights, to the extent applicable, pursuant to the preferential rights to purchase set forth in Section 24.2 of the

Operating Agreements (the “**Pref Rights**”). The foregoing waiver of Pref Rights is a one-time waiver, applicable to the Transactions only, and not any future transaction, and does not constitute a future waiver or a course of dealings or performance under the Operating Agreements. Except for the waiver of Pref Rights as set forth in this paragraph, Chevron expressly reserves all its rights under the Operating Agreements.


For the avoidance of doubt, the waiver of Pref Rights as set forth in the previous paragraph is limited to the Transactions in the Cobalt bankruptcy cases and not any future transaction, and Chevron expressly reserves its rights to assert any other objections in the bankruptcy cases including but not limited to any objections related to the assumption or assumption and assignment of the Operating Agreements, and Cobalt expressly reserves its right to contest any objection Chevron may file.

Please indicate the agreement of Chevron U.S.A. Inc. by executing where indicated below. This Letter Agreement may be executed by signing the original or a counterpart. If this Letter Agreement is executed in counterparts, all counterparts taken together shall have the same effect as if Cobalt and Chevron had signed the same Letter Agreement.

[Remainder of page intentionally left blank]

Sincerely,

Cobalt International Energy, L.P.

By: 
Name: RICHARD A. SMITH
Title: Senior Vice President

Agreed:

Chevron U.S.A. Inc.

By: _____
Name: _____
Title: _____

Sincerely,

Cobalt International Energy, L.P.

By: _____
Name: _____
Title: _____

Agreed:

Chevron U.S.A. Inc.

By: Carl R. Rewerts
Name: Carl R. Rewerts
Title: Assistant Secretary and Land Management Officer