

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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| In re: |) | Chapter 11 |
| |) | |
| EXTRACTION OIL & GAS, INC. <i>et al.</i> , ¹ |) | Case No. 20- 11548 (___) |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | |

**DEBTORS’ MOTION FOR ENTRY OF INTERIM AND
FINAL ORDERS (I) AUTHORIZING CONTINUATION OF
PREPETITION HEDGING AGREEMENTS, (II) AUTHORIZING
ENTRY INTO AND PERFORMANCE UNDER POSTPETITION HEDGING
AGREEMENTS, (III) PROVIDING SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS IN RESPECT OF POSTPETITION HEDGING AGREEMENTS,
(IV) MODIFYING THE AUTOMATIC STAY AND (V) GRANTING RELATED RELIEF**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) respectfully state the following in support of this motion (this “Motion”):

Relief Requested

1. The Debtors seek entry of an interim order (the “Interim Order”) and final order (the “Final Order”) substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, respectively: (a) authorizing the Debtors to continue performance under Prepetition Hedging Agreements (as defined herein) with the Debtors’ existing hedge counterparty that did not terminate such transactions as a result of the commencement of these chapter 11 cases (the “Consenting Prepetition Hedging Provider”); (b) in the case of the Final Order only, authorizing the Debtors to enter into and perform under Postpetition Hedging Agreements

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Extraction Oil & Gas, Inc. (3923); 7N, LLC (4912); 8 North, LLC (0904); Axis Exploration, LLC (8170); Extraction Finance Corp. (7117); Mountaintop Minerals, LLC (7256); Northwest Corridor Holdings, LLC (9353); Table Mountain Resources, LLC (5070); XOG Services, LLC (6915); and XTR Midstream, LLC (5624). The location of the Debtors’ principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.



(and together with the Prepetition Hedging Agreements (as the same may be amended or amended and restated), the “DIP Hedging Agreements”) with DIP Lenders and/or their affiliates (the “Postpetition Hedging Providers,” and together with the Consenting Prepetition Hedging Provider, the “DIP Hedging Providers”); (c) authorizing the Debtors to perform under and honor, pay, or otherwise satisfy, and guarantee on a joint and several basis, all obligations and indebtedness of the Debtors with respect to the Prepetition Hedging Agreements (collectively, the “Prepetition Hedging Obligations”) and, in the case of the Final Order only, all obligations and indebtedness of the Debtors with respect to the DIP Hedging Agreements (the “DIP Hedging Obligations”) as they come due; (d) authorizing the Debtors to grant DIP Liens (as defined in the DIP Orders)² to the DIP Agent (as defined in the DIP Orders) for the benefit of the DIP Hedging Providers, to secure all DIP Hedging Obligations; (e) authorizing the Debtors to grant allowed DIP Superpriority Claims (as defined in the DIP Orders) to the DIP Hedging Providers on account of the DIP Hedging Obligations; (f) authorizing the DIP Agent to exercise all rights and remedies with respect to the DIP Collateral (as defined in the DIP Orders) for the benefit of the DIP Hedging Providers in accordance with the DIP Orders following the occurrence and continuation of an Event of Default or a Termination Event under, and as defined in, any of the DIP Hedging Agreements; and (g) authorizing the DIP Hedging Providers to set off, net, and apply any payment amounts that such DIP Hedging Providers would otherwise be obligated to pay to any Debtor under any of the DIP Hedging Agreements in accordance with the terms of such DIP Hedging Agreement; and (h) granting related relief. In support of this Motion, the Debtors submit the *Declaration of James A. Grady in Support of the Debtors’ Motion for Entry of Interim*

² “DIP Orders” means any interim or final orders entered by the Court approving the Debtors’ entry into any postpetition debtor-in-possession financing facility and/or authorizing the Debtors’ use of cash collateral.

and Final Orders (I) Authorizing the Continuation of Prepetition Hedging Agreements, (II) Authorizing Entry into and Performance Under Postpetition Hedging Agreements, (III) Providing Superpriority Administrative Expense Status in Respect of Postpetition Hedging Agreements, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief (the “Grady Declaration”), attached hereto as **Exhibit C**.

2. In addition, the Debtors request that the Court schedule a final hearing within approximately 25 days of the commencement of these chapter 11 cases to consider approval of this Motion on a final basis.

3. While the Debtors believe that entry into and performance under the DIP Hedging Agreements is an ordinary course activity of the Debtors’ business, this Motion is filed out of an abundance of caution and in order to provide the Prepetition Hedging Providers with assurance regarding the Debtors’ ability to enter into and perform under the DIP Hedging Agreements notwithstanding the pendency of these chapter 11 cases.

Jurisdiction and Venue

4. The United States Bankruptcy Court for the District of Delaware (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware, dated February 29, 2012 (the “Amended Standing Order”). The Debtors confirm their consent, pursuant to rule 7008 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Local Rules”), to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments in connection herewith consistent with Article III of the United States Constitution.

5. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

6. The bases for the relief requested herein are sections 362, 363, and 364 of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), Bankruptcy Rule 6004, and Bankruptcy Local Rule 9013-1(f).

7. On June 14, 2020 (the “Petition Date”), each Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. A detailed description surrounding the facts and circumstances of these chapter 11 cases is set forth in the *Declaration of Matthew R. Owens, Co-Founder, President and Chief Executive Officer of the Debtors, in Support of Chapter 11 Petitions and First Day Motions* (the “First Day Declaration”), filed contemporaneously with this Motion and incorporated by reference herein.

8. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrently with the filing of this Motion, the Debtors have requested procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b). No request for the appointment of a trustee or examiner has been made in these chapter 11 cases, and no committees have been appointed or designated.

Preliminary Statement³

9. The Debtors—a domestic exploration and production company—operate in a world of commodity price volatility. As is customary in the Debtors’ industry, in the ordinary course of business, the Debtors have historically entered into hedging agreements—in the form of

³ Capitalized terms used but not otherwise defined in this Preliminary Statement shall have the meaning ascribed to them below, or in the *Debtors’ Motion for Entry of Interim and Final Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling A Final Hearing, and (VI) Granting Related Relief.*

commodity price swaps and options—that limit their exposure to the fluctuating price of oil and natural gas. Prior to the Petition Date, the Debtors were party to such Prepetition Hedging Agreements with one Consenting Prepetition Hedging Provider and five Non-Consenting Prepetition Hedging Providers (as defined herein).

10. The appropriate level of production to be hedged is an ongoing consideration that is based on a variety of factors and may change at any time. The Debtors are keenly aware that the Prepetition Hedging Counterparties may seek to exercise the rights they have (if any) under the “safe harbor” provisions of the Bankruptcy Code and the contracts governing each of their Prepetition Hedging Agreements to terminate some of the Prepetition Hedging Agreements. As a result, the Debtors expect they may need to commence these chapter 11 cases without the full protections afforded by their Prepetition Hedging Agreements against a commodities market with significant potential price volatility. Although the Debtors are continuing to evaluate the need to preserve prepetition hedges and enter into new hedging agreements on a postpetition basis (in light of, among other considerations, the likelihood of finding willing counterparties and the length of these chapter 11 cases), it is important that the Debtors maintain the flexibility to do so in an exercise of their business judgment. Accordingly, out of an abundance of caution, the Debtors seek authority, in the Final Order, to enter into, and perform under, new Postpetition Hedging Agreements with the Postpetition Hedging Providers, if they determine that resuming the hedging program is in the best interests of the estates.

I. The Debtors Historically Have Entered into Hedging Agreements to Mitigate Commodity Price Risk Associated with Their Oil and Natural Gas Business.

11. In the ordinary course of business, the Debtors engage in oil and natural gas development and production activities in the Denver-Julesburg Basin in Colorado. The Debtors’ revenue is exposed to the prevailing market prices of oil, natural gas, and natural gas liquids, all

of which have experienced significant price volatility over recent years. To minimize the risk to their business operations caused by such volatility, the Debtors—like many of their industry peers—historically have entered into derivative contracts with various counterparties to hedge their exposure to commodity price risk. By removing a portion of the price volatility associated with future production via such hedging agreements, the Debtors hope to mitigate the potential effects of variability in net cash provided by operating activities due to fluctuations in commodity prices.

12. Historically, the Debtors have hedged a significant portion of their oil and gas production—approximately 80 to 85 percent—to reduce exposure to commodity price fluctuations and provide long-term cash flow predictability to manage their business, service debt and, at times, pay distributions to equity holders. In June 2020, nine of the ten counterparties to the Debtors’ Prepetition Hedging Agreements (each, a “Non-Consenting Prepetition Hedging Provider”) informed the Debtors of their intent to exercise their rights under the “safe harbor” protections of the Bankruptcy Code to terminate such agreements upon the Debtors’ filing of these chapter 11 cases. As a result, the Debtors negotiated with four Non-Consenting Hedging Providers to effect an orderly unwinding of those hedges prior to the Petition Date. With respect to the five remaining Non-Consenting Hedging Providers that intend to exercise their rights to terminate their hedging agreements with the Debtors, the Debtors have consented to allow the DIP Agent to terminate the remaining hedges on their behalf, with proceeds to be applied against the Debtors’ revolving loan under their senior secured reserve-based revolving credit facility (the “Senior Credit Facility”). During the week of June 15, 2020, the Debtors expect that the remaining hedges will be terminated, other than those with the sole Consenting Prepetition Hedging Provider. Following arms’-length negotiations, the Consenting Prepetition Hedging Providers have agreed not to

exercise their rights to terminate the Prepetition Hedging Agreements in exchange for continuation fees in the aggregate amount of \$2.2 million (the “Continuation Fees”). The Continuation Fees, in the Debtors’ business judgment, are reasonable and fair under the circumstances of the chapter 11 cases.

13. The appropriate level of production to be hedged is an ongoing consideration and is based on a variety of factors, including current and future expected production commodity market prices, cost and availability of hedging agreements, and the Debtors’ overall risk profile, including leverage, size, and scale considerations. As a result, the appropriate percentage of production volumes to be hedged may change over time.

14. As of the Petition Date, the Debtors maintained approximately 337 commodity hedges with one Consenting Prepetition Hedging Provider (each, a “Prepetition Hedging Agreement,” and collectively, the “Prepetition Hedging Agreements”). As is typical, the Debtors’ obligations under the Prepetition Hedging Agreements were equal in priority to the obligations under, and secured by equal liens in the collateral under, the Debtors’ Senior Credit Facility. As of the Petition Date, Prepetition Hedging Agreements do not give rise to any claims against the Debtors, other than the Continuation Fees described herein. Following the expected postpetition terminations, the Debtors expect to maintain approximately 337 commodity hedges with the Consenting Hedging Provider.

15. Within thirty (30) days of filing of these chapter 11 cases, the Debtors expect amounts to come due under Prepetition Hedging Agreements with the Consenting Prepetition Hedging Provider in the ordinary course of business, resulting in net proceeds to the Debtors of approximately \$2,647,000 (including approximately \$149,000 of disbursements and approximately \$2.8 million of receipts). Assuming all of the secured Prepetition Hedging

Agreements with the Consenting Prepetition Hedging Provider had been terminated on June 12, 2020, such terminations would have given rise to approximately \$945,000 in secured claims against the Debtors and the Debtors would have received payments of approximately \$54,906,000. Ordinarily, the Debtors would execute new hedging agreements upon settlement of the expiring Prepetition Hedging Agreements to ensure that the benefits of hedging continue uninterrupted. Any Postposition Hedging Agreements would be further to this purpose (as noted further below).

II. The Hedging Agreements Significantly Reduced the Effect of Commodity Price Volatility on the Debtors' Cash Flow Stream.

16. The Prepetition Hedging Agreements were a significant, and most importantly, low-risk means to reduce the impact of commodity price volatility on the Debtors' cash flow stream. For the volume of production that remains unhedged, a company will bear the full brunt of price fluctuations. Importantly, because hedging agreements expire after a specified period of time, no company can hedge all of its production indefinitely. Instead, as hedges expire, a company must negotiate extensions to such hedges or decide whether to enter into new hedges based on then-current market conditions.

17. An example of a cash-settled oil and gas hedging instrument is a swap agreement, which, prior to the Petition Date, was a common form of Prepetition Hedging Agreement used by the Debtors. Under a swap, the counterparty—usually a financial institution—agrees to pay the company the positive difference, if any, between an agreed fixed price and the market price of the referenced commodity at a series of future dates during the term of the swap. If the difference is

negative—because market prices have gone up—the company pays the counterparty the absolute value of the difference.⁴

18. Swaps typically are settled in cash monthly—by a cash payment either to or from the hedge counterparty—and usually are entered into for a series of future months. As done so by the Debtors, swaps may be liquidated by agreement of the parties prior to their maturity (or at the election of a party upon the occurrence of a default or default-like event of the other party) at prevailing prices, again involving a payment either to or from the counterparty, largely depending on whether forward prices for the remainder of the swap term are above or below the agreed fixed price at the time of termination.

19. Although hedges cannot entirely insulate a company from the impact of a sustained downturn in a commodities market, they provide a vital measure of protection by stabilizing cash flows during the hedged period. This stability benefits the company and its lenders and creditors by increasing the likelihood that the company will have enough revenues to service its debt and meet its other financial obligations.

20. The Debtors do not engage in proprietary trading activities. The Debtors' hedging activities are directly tied to the Debtors' anticipated commodity production and consumption and, at times, their anticipated exposure to floating interest rates. The Debtors continually monitor the commodity hedging market and as future production estimates change, and to the extent they determine to enter into new Hedging Agreements, the Debtors engage in discussions with proposed hedging counterparties to evaluate and execute new hedging transactions. Given this significant,

⁴ For example, if the agreed fixed price is \$50 per barrel of oil and oil prices drop to \$30, the swap counterparty will pay \$20 per barrel to the company. Conversely, if oil prices rise to \$70 per barrel, the company will pay \$20 per barrel to the swap counterparty. In either circumstance, the effective sale price for the company is fixed at \$50 per barrel for the specified volume of production.

reliable, and low-risk activity, which expressly protects the Debtors' cash flow, it is critical for the Debtors to obtain the relief necessary to encourage parties to enter into Postpetition Hedging Agreements.

21. The Debtors believe they must have the flexibility to enter into the Postpetition Hedging Agreements if they determine in an exercise of their business judgment that doing so is likely to preserve the value of the Debtors' overall business.

22. The Debtors believe that the continuance of Prepetition Hedging Agreements and entry into and performance under Postpetition Hedging Agreements would be a significant and, most importantly, low-risk means of reducing the impact of commodity-price and other volatility on the Debtors' cash-flow stream.

23. To provide assurance to the Consenting Prepetition Hedging Provider under its Prepetition Hedging Agreements regarding the Debtors' ability to perform under such Prepetition Hedging Agreements notwithstanding the pendency of these chapter 11 cases, the Debtors respectfully request that the Court enter the Interim Order, which will provide the Consenting Prepetition Hedging Provider with (a) relief from the automatic stay to the extent necessary to allow the Prepetition Hedging Provider the benefits of the netting provisions and other rights and remedies provided pursuant to the Prepetition Hedging Agreements, and (b) administrative expense status.

24. To provide assurance to the DIP Hedging Providers regarding the Debtors' ability to enter into and perform under the DIP Hedging Agreements notwithstanding the pendency of these chapter 11 cases, the Debtors respectfully request that the Court enter the Final Order, which will provide the DIP Hedging Providers with (a) relief from the automatic stay to the extent necessary to allow the DIP Hedging Providers the benefits of the netting provisions and other

rights and remedies provided pursuant to the DIP Hedging Agreements, and (b) administrative expense status.

Basis of Relief

I. Section 363(c) of the Bankruptcy Code Authorizes the Debtors to Continue the Prepetition Hedging Agreements and to Enter into Postpetition Hedging Agreements.

25. Section 363(c)(1) of the Bankruptcy Code provides that a debtor in possession “may enter into transactions . . . in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing.” 11 U.S.C. § 363(c)(1). The ordinary course of business standard embodied in this provision is intended to allow a debtor in possession the flexibility to run its business during its chapter 11 proceedings. *See Moore v. Brewer (In re HMH Motor Servs., Inc.)*, 259 B.R. 440, 448–49 (Bankr. S.D. Ga. 2000).

26. The Bankruptcy Code does not define “ordinary course of business.” *In re Commercial Mortg. & Fin. Co.*, 414 B.R. 389, 393 (Bankr. N.D. Ill. 2009). However, courts have clarified that the standard is meant “to embrace the reasonable expectations of interested parties of the nature of transactions that the debtor would likely enter in the course of its normal, daily business.” *Med. Malpractice Ins. Assoc. v. Hirsch (In re Lavigne)*, 114 F.3d 379, 384 (2d Cir. 1997) (quoting *In re Watford*, 159 B.R. 597, 599 (M.D. Ga. 1993)); *see also, e.g., In re Roth Am., Inc.*, 975 F.2d 949, 952 (3d Cir. 1992) (stating that section 363 of the Bankruptcy Code is designed to allow a debtor in possession “flexibility to engage in ordinary transactions without unnecessary . . . oversight”). The two tests ordinarily applied by the courts to determine the ordinary course of business are the “horizontal test” and the “vertical test.” *In re Roth American, Inc.*, 975 F.2d 949, 952 (3d Cir. 1992). The “horizontal test” focuses on the way businesses operate “from an industry-wide perspective”. *Id.* at 953. The “vertical test” focuses on the expectations of creditors. *Id.*

Continuation of the Prepetition Hedging Agreements and entry into Postpetition Hedging Agreements satisfy both tests.

27. Under the horizontal test, the Hedging Agreements are typical Agreements that are ubiquitous among companies in the Debtors' industry. Accordingly, the Debtors believe that continuation of the Prepetition Hedging Agreements, entry into Postpetition Hedging Agreements, and incurrence and payment of the obligations thereunder fall within the standard, ordinary course practice of companies in the Debtors' industry.

28. Under the vertical test, creditors' reasonable expectations of a debtor's "ordinary course of business" are based on the debtor's specific prepetition business practices and norms and the expectation that the debtor will conform to those practices and norms while operating as a debtor in possession. *In re Garofalo's Finer Foods, Inc.*, 186 B.R. 414, 425 (N.D. Ill. 1995). Thus, a fundamental characteristic of an "ordinary" postpetition business transaction is its similarity to a prepetition business practice. *Marshack v. Orange Commercial Credit (In re Nat'l Lumber & Supply, Inc.)*, 184 B.R. 74, 79 (9th Cir. B.A.P. 1995); *In re James A. Phillips, Inc.*, 29 B.R. 391, 394 (S.D.N.Y. 1983). The size, nature, and type of business and the size and nature of the transactions in question are all relevant to determining whether the transactions at issue are ordinary. *U.S. ex rel. Harrison v. Estate of Deutscher*, 115 B.R. 592, 598 (M.D. Tenn. 1990); *In re Johns-Manville Corp.*, 60 B.R. 612, 617 (Bankr. S.D.N.Y. 1986). "Accordingly, a postpetition transaction undertaken by the debtor that is similar in size and nature to prepetition transactions undertaken by the debtor would be within the ordinary course of business." *Garofalo's*, 186 B.R. at 426. Here, the Debtors will be operating consistent with the Debtors' prepetition practices.

29. Subject to reaching acceptable commercial terms, continuation of the Prepetition Hedging Agreements and entry into the Postpetition Hedging Agreements would merely continue

the Debtors' long-standing and successful hedging efforts. Courts in this and other jurisdictions have authorized debtors in commodities industries to continue or initiate hedging Agreements similar to the Hedging Agreements in the ordinary course of business. *See, e.g., In re PES Holdings, LLC*, No. 18-10122(KG) (Bankr. D. Del. Feb. 26, 2018) (granting authority to continue performing under prepetition hedging Agreements and authority to enter into and perform under postpetition hedging agreement and granting superpriority administrative-expense claim status to postpetition hedging obligations); *In re Samson Resources Corporation*, No. 15-11934 (CSS) (Bankr. D. Del. Jan. 27, 2017) (granting authority to initiate and continue hedging Agreements and granting superpriority administrative-expense claim status to counterparties); *In re Warren Res., Inc.*, No. 16-32760 (Bankr. S.D. Tex. July 13, 2016) (granting authority to initiate new hedging Agreements); *In re SandRidge Energy, Inc.*, No. 16-32488 (Bankr. S.D. Tex. June 30, 2016) (granting authority to initiate and continue hedging Agreements and granting superpriority administrative-expense claim status to counterparties); *In re Linn Energy, LLC*, No. 16-60040 (Bankr. S.D. Tex. May 17, 2016) (granting authority to continue hedging Agreements).⁵ Accordingly, the Debtors submit that they are authorized to continue the Prepetition Hedging Agreements and enter into the Postpetition Hedging Agreements without prior Court approval, pursuant to section 363(c)(1) of the Bankruptcy Code.

30. To the extent that continuation of the Prepetition Hedging Agreements and entry into the Postpetition Hedging Agreements implicate section 363(b) of the Bankruptcy Code, the Debtors submit that continuing performance under and entering into such Agreements would constitute a proper exercise of the Debtors' business judgment. Section 363(b)(1) of the

⁵ Because of the voluminous nature of the orders cited herein, such orders have not been attached to this Motion. Copies of these orders are available upon request of the Debtors' proposed counsel.

Bankruptcy Code provides, in relevant part, that debtors “after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate.” Under section 363(b) of the Bankruptcy Code, courts require only that the debtor “show that a sound business purpose justifies such actions.” *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999) (internal citations omitted); *see also, e.g., In re Elpida Memory, Inc.*, No. 12-10947 (CSS), 2012 WL 6090194, at *5 (Bankr. D. Del. Nov. 20, 2012) (noting that it is “well-settled” that a debtor may use its assets outside the ordinary course where such use “represents the sound exercise of business judgment”); *In re Phx. Steel Corp.*, 82 B.R. 334, 335–36 (Bankr. D. Del. 1987) (stating that judicial approval under section 363 of the Bankruptcy Code requires a showing that the proposed action is fair and equitable, in good faith, and supported by a good business reason). Moreover, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *Johns-Manville*, 60 B.R. at 616 (citation omitted); *see also In re Tower Air, Inc.*, 416 F.3d 229, 238 (3d Cir. 2005) (“Overcoming the presumptions of the business judgment rule on the merits is a near-Herculean task.”).

31. There is no question that a sound business purpose exists for the Debtors to continue the Prepetition Hedging Agreements and enter into the Postpetition Hedging Agreements, which would provide a low-risk means to reduce the impact of volatility on the Debtors’ cash flow, would help the Debtors’ limit working capital requirements, and, therefore, should enhance the value of the Debtors’ estates for the benefit of all their stakeholders.

II. The Debtors Should Be Authorized to Grant Superpriority Administrative Expense Status on Account of the DIP Hedging Obligations Pursuant to Section 364 of the Bankruptcy Code.

32. Section 364 of the Bankruptcy Code authorizes a debtor to obtain “credit” on a superpriority or senior secured basis when obtaining such credit on other terms is unavailable.

11 U.S.C. §§ 364(c), (d). Courts generally afford debtors considerable deference to determine, in their business judgment, the terms under which they obtain postpetition secured credit. *See, e.g., In re L.A. Dodgers LLC*, 457 B.R. 308, 313 (Bankr. D. Del. 2011); *In re Curlew Valley Assocs.*, 14 B.R. 506, 513-14 (Bankr. D. Utah 1981).

33. To provide the necessary comfort to the DIP Hedging Providers that the Debtors will be able to honor the DIP Hedging Obligations, the Debtors are seeking authority to provide superpriority administrative expense status on account of the DIP Hedging Obligations, provided; however, that the Interim Order will only address the Prepetition Hedging Obligations,. Courts in various jurisdictions have approved similar relief. *See, e.g., In re PES Holdings, LLC* No. 18-10122 (KG) (Bankr. D. Del. Feb. 26, 2018); *In re Whiting Petroleum Corporation*, No. 20-32021 (DRJ) (Bankr. S.D. Tex. May 30, 2020); *In re SandRidge Energy, Inc.*, No. 16-32488 (DRJ) (Bankr. S.D. Tex. Jun. 30, 2016); *In re Linn Energy, LLC, et al.*, No. 16-60040 (DRJ) (Bankr. S.D. Tex. May 17, 2016); *In re Penn Va. Corp., et al.*, No. 16 32395 (KLP) (Bankr. E.D. Va. May 13, 2016).

34. Granting superpriority administrative expense status on account of the DIP Hedging Obligations is not unduly burdensome on the Debtors, and the Debtors believe these grants are necessary to maintain the Prepetition Hedging Agreements and enter into the Postpetition Hedging Agreements, which are essential both to the stability of the Debtors' businesses and the success of the Debtors' restructuring. In light of the foregoing, the Debtors believe that authorizing the Debtors to provide the superpriority administrative expense status on account of the DIP Hedging Obligations (provided; however, that the Interim Order will only address the Prepetition Hedging Obligations) will preserve the value of the Debtors' estates and

is, therefore, appropriate and in the best interests of the Debtors, their estates, and all parties in interest in these chapter 11 cases and should be permitted.

III. The Automatic Stay Should Be Modified on a Limited Basis.

35. The proposed Interim Order modifies the automatic stay provisions of section 362 of the Bankruptcy Code to the extent necessary to allow the Consenting Prepetition Hedging Provider to exercise rights and remedies following the occurrence and during the continuation of an event of default or a termination event under the Prepetition Hedging Agreements, including with respect to netting, the early termination of trades, and other rights and remedies in accordance with the terms of any such Prepetition Hedging Agreements.

36. The proposed Final Order modifies the automatic stay provisions of section 362 of the Bankruptcy Code to the extent necessary to allow DIP Hedging Providers to exercise rights and remedies following the occurrence and during the continuation of an event of default or a termination event under the DIP Hedging Agreements, including with respect to netting, the early termination of trades, and other rights and remedies in accordance with the terms of any such DIP Hedging Agreements

37. The stay modification, in the Debtors' business judgment, is reasonable and fair under the circumstances of these chapter 11 cases. Accordingly, the Court should modify the automatic stay to the extent contemplated by the Interim and Final Orders.

Processing of Checks and Electronic Fund Transfers Should Be Authorized

38. The Debtors have sufficient funds to pay the amounts described in this Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and anticipated access to cash collateral. Under the Debtors' existing cash management system, the Debtors have made Agreements to readily identify checks or wire transfer requests relating to the Hedging Agreements, as applicable. Accordingly, the Debtors believe that checks or wire

transfer requests that are not related to authorized payments will not be honored inadvertently. Therefore, the Debtors respectfully request that the Court authorize all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief requested in this Motion.

The Requirements of Bankruptcy Rule 6003 Are Satisfied

39. Bankruptcy Rule 6003 empowers a court to grant relief within the first 21 days after the commencement of a chapter 11 case “to the extent that relief is necessary to avoid immediate and irreparable harm.” Fed. R. Bankr. P. 6003. For the reasons discussed above, the ability to engage in hedging Agreements as needed and without disruption is necessary to the continuation of the Debtors’ business operations. Failure to receive such authorization and other relief during the first 21 days of these chapter 11 cases would severely disrupt the Debtors’ operations at this critical juncture. Accordingly, the Debtors submit that they have satisfied the “immediate and irreparable harm” standard of Bankruptcy Rule 6003 to support granting the relief requested herein.

Waiver of Bankruptcy Rules 6004(a) and 6004(h)

40. To implement the foregoing successfully, the Debtors request that the Court enter an Order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Reservation of Rights

41. Nothing contained in this Motion or any actions taken by the Debtors pursuant to any order granting the relief requested by this Motion is intended or should be construed as: (a) an admission as to the validity, priority, or amount of any particular claim against a Debtor entity; (b) a waiver of the Debtors’ right to dispute any particular claim on any grounds; (c) a promise or

requirement to pay any particular claim; (d) an implication or admission that any particular claim is of a type specified or defined in this Motion or any order granting the relief requested by this Motion; (e) a request or authorization to assume any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) a waiver or limitation of the Debtors' rights under the Bankruptcy Code or any other applicable law; (g) a concession by the Debtors or any other party-in-interest that any liens (contractual, common law, statutory, or otherwise) satisfied pursuant to this Motion are valid and the Debtors and all other parties-in-interest expressly reserve their rights to contest the extent, validity, or perfection, or to seek avoidance of all such liens; or (h) a request or authorization to assume any prepetition agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code. If the Court grants the relief sought herein, any payment made pursuant to the Court's Order is not intended and should not be construed as an admission as to the validity, priority, or amount of any particular claim or a waiver of the Debtors' or any other party-in-interest's rights to subsequently dispute such claim.

Notice

42. Notice of the hearing on the relief requested in this Motion will be provided by the Debtors in accordance and compliance with Bankruptcy Rules 4001 and 9014, as well as the Bankruptcy Local Rules, and is sufficient under the circumstances. Without limiting the foregoing, due notice will be afforded, whether by facsimile, electronic mail, overnight courier or hand delivery, to parties-in-interest, including: (a) the U.S. Trustee for the District of Delaware; (b) the holders of the 30 largest unsecured claims against the Debtors (on a consolidated basis); (c) the administrative agent under the Debtors' prepetition Senior Credit Facility or, in lieu thereof, counsel thereto; (d) the lenders under the Debtors' prepetition Senior Credit Facility or, in lieu thereof, counsel thereto; (e) the lenders under the Debtors' debtor-in-possession financing facilities or, in lieu thereof, counsel thereto; (f) the administrative agent under the Debtors'

debtor-in-possession financing facilities or, in lieu thereof, counsel thereto; (g) the indenture trustee for the Debtors' prepetition senior notes or, in lieu thereof, counsel thereto; (h) the holders of the Debtors' prepetition senior notes or, in lieu thereof, counsel thereto; (i) the ad hoc group of holders of the Debtors' preferred equity or, in lieu thereof, counsel thereto; (j) the United States Attorney's Office for the District of Delaware; (k) the Internal Revenue Service; (l) the United States Securities and Exchange Commission; (m) the state attorneys general for states in which the Debtors conduct business; (n) the Consenting Prepetition Hedging Providers; and (o) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

No Prior Request

43. No prior motion for the relief requested herein has been made to this or any other court.

[Remainder of page intentionally left blank]

WHEREFORE, the Debtors respectfully request that the Court enter the Interim Order and Final Order, substantially in the form attached hereto as **Exhibit A** and **Exhibit B**, granting the relief requested in this Motion and granting such other and further relief as is appropriate under the circumstances.

Dated: June 15, 2020
Wilmington, Delaware

/s/ Richard W. Riley

WHITEFORD, TAYLOR & PRESTON LLC¹

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Richard W. Riley (DE No. 4052)
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- and -

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Proposed Co-Counsel to the Debtors and Debtors in Possession

¹ Whiteford, Taylor & Preston LLC operates as Whiteford Taylor & Preston L.L.P. in jurisdictions outside of Delaware.

Exhibit A

Proposed Interim Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

| | | |
|---|---|----------------------------------|
| In re: |) | |
| |) | Chapter 11 |
| EXTRACTION OIL & GAS, INC. <i>et al.</i> , ¹ |) | Case No. 20- 11548 (___) |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | |
| |) | Re: Docket No. ___ |

**INTERIM ORDER (I) AUTHORIZING
THE (I) AUTHORIZING CONTINUATION OF
PREPETITION HEDGING AGREEMENTS, (II) AUTHORIZING
ENTRY INTO AND PERFORMANCE UNDER POSTPETITION HEDGING
AGREEMENTS, (III) PROVIDING SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS IN RESPECT OF POSTPETITION HEDGING AGREEMENTS,
(IV) MODIFYING THE AUTOMATIC STAY AND (V) GRANTING RELATED RELIEF**

1. Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an interim order (this “Interim Order”)

(a) authorizing the Debtors to continue performance under Prepetition Hedging Agreements with the Debtors’ existing hedge counterparty that did not terminate such transactions as a result of the commencement of these chapter 11 cases (“Consenting Prepetition Hedging Provider”);

(b) authorizing the Debtors to perform under and honor, pay, or otherwise satisfy, and guarantee on a joint and several basis, all obligations and indebtedness of the Debtors with respect to the Prepetition Hedging Agreements (collectively, the “Prepetition Hedging

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Extraction Oil & Gas, Inc. (3923); 7N, LLC (4912); 8 North, LLC (0904); Axis Exploration, LLC (8170); Extraction Finance Corp. (7117); Mountaintop Minerals, LLC (7256); Northwest Corridor Holdings, LLC (9353); Table Mountain Resources, LLC (5070); XOG Services, LLC (6915); and XTR Midstream, LLC (5624). The location of the Debtors’ principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion or in the DIP Orders, as applicable.

Obligations”) as they come due; (c) authorizing the Debtors to grant DIP Liens (as defined in the DIP Orders) to the DIP Agent (as defined in the DIP Orders) for the benefit of the Consenting Prepetition Hedging Provider, to secure all Prepetition Hedging Obligations; (d) authorizing the Debtors to grant allowed DIP Superpriority Claims (as defined in the DIP Orders) to the Consenting Prepetition Hedging Provider on account of the Prepetition Hedging Obligations; (e) authorizing the DIP Agent to exercise all rights and remedies with respect to the DIP Collateral (as defined in the DIP Orders) for the benefit of the Consenting Prepetition Hedging Provider in accordance with the DIP Orders following the occurrence and continuation of an Event of Default or a Termination Event under, and as defined in, any of the DIP Hedging Agreements; and (f) authorizing the Consenting Prepetition Hedging Provider to set off, net, and apply any payment amounts that such Consenting Prepetition Hedging Providers would otherwise be obligated to pay to any Debtor under any of the Prepetition Hedging Agreements in accordance with the terms of such Prepetition Hedging Agreement; and (g) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order; and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the “Hearing”); and this Court having

determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

2. The Motion is granted on an interim basis as set forth herein.

3. The final hearing (the "Final Hearing") on the Motion shall be held on _____, 2020 at __: __ .m., prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time, on _____, 2020, and shall be served on: (a) the Debtors, Extraction Oil & Gas, Inc., 370 17th Street, Suite 5300, Denver, Colorado 80202, Attn: Eric Christ; (b) proposed counsel to the Debtors, (i) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn: Christopher Marcus, P.C., Allyson Smith Weinhouse, and Ciara Foster and (ii) Whiteford, Taylor & Preston LLC, The Renaissance Centre, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attn: Marc R. Abrams, Richard W. Riley, and Stephen B. Gerald; (c) the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801, Attn: Richard L. Schepacarter; (d) counsel to the administrative agent under the Debtors' prepetition senior credit facility, Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002, Attn: Dewey J. Gonsoulin Jr., William A. (Trey) Wood III, and Heather Brown; (e) counsel to the ad hoc group of lenders under the Debtors' prepetition senior notes, (i) Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attn: Andrew Rosenberg, Alice Belisle Eaton, Christopher Hopkins, Douglas Keeton and Omid Rahnama and (ii) Young Conaway Stargatt & Taylor, LLP, 1000 North King Street, Wilmington, Delaware 19801, Attn: Pauline K. Morgan & Sean T. Greecher; (f) counsel to the ad hoc group of holders of the Debtors' preferred equity, Quinn Emanuel Urquhart & Sullivan, LLP, 51 Madison Avenue,

22nd Floor, New York, New York 10010, Attn: Benjamin Finestone; and (g) counsel to any statutory committee appointed in these chapter 11 cases. In the event no objections to entry of the Final Order on the Motion are timely received, this Court may enter such Final Order without need for the Final Hearing.

4. Effective immediately upon entry of this Interim Order, the Debtors are authorized, but not directed, to (i) continue hedging under Prepetition Hedging Agreements with the Consenting Prepetition Hedging Provider; (ii) incur and pay Continuation Fees to the Consenting Prepetition Hedging Providers in the aggregate amount of \$2.2 million; (v) honor, pay or otherwise satisfy all Prepetition Hedging Obligations as they come due; (vi) grant DIP Liens to the DIP Agent, for the benefit of the Consenting Prepetition Hedging Providers, to secure the Prepetition Hedging Obligations; and (vii) grant allowed DIP Superpriority Claims to the Consenting Prepetition Hedging Provider on account of the Prepetition Hedging Obligations. Upon the closing of the DIP Facility, all Prepetition Hedging Obligations shall constitute DIP Obligations (as defined in the DIP Orders).

5. Notwithstanding any provision herein, in the Motion, in any interim or final orders entered by the Court approving the Debtors' entry into any postpetition debtor-in-possession financing facility and/or authorizing the Debtors' use of cash collateral (in either case, the "DIP Orders"), or other order to the contrary, one hundred percent (100%) of the cash proceeds due to, or received by, any Debtor as a result of any novation, amendment, restructuring, termination, liquidation or unwinding of any (i) Prepetition Hedging Agreements shall be used to prepay amounts outstanding under the Prepetition Credit Agreement, applied pursuant to the terms thereof for application to the Prepetition Lenders or DIP Lenders, as applicable.

6. If any provision of this Interim Order or the DIP Orders is stayed, modified in a manner adverse to the Consenting Prepetition Hedging Provider, or vacated, or if this Interim Order or the DIP Orders otherwise terminate, then such stay, modification, vacation, or termination will not affect (a) the validity or priority of any indebtedness, obligation, or liability incurred pursuant to or arising from any transaction entered into by the Debtors with the Consenting Prepetition Hedging Provider pursuant to the Prepetition Hedging Agreements before the receipt of written notice by the Prepetition Hedging Providers of the effective date of such stay, modification, vacation, or termination; (b) the validity, priority or enforceability of the security interests, superpriority administrative claims, and netting, setoff, collection, and termination rights authorized or created hereby or pursuant to the Prepetition Hedging Agreements, or any related documents; and (c) the rights of the DIP Hedging Providers to exercise remedies as set forth in the Prepetition Hedging Agreements, and each the Consenting Prepetition Hedging Provider shall be entitled to the benefits of the provisions of section 364(e) of the Bankruptcy Code for any credit extended pursuant to this Interim Order.

7. The Consenting Prepetition Hedging Provider shall enjoy the DIP Superpriority Claims, DIP Liens, automatic stay relief, and other protections provided by this Interim Order and the DIP Orders in respect of each such transaction until the earliest of (a) the termination of the Consenting Prepetition Hedging Provider's Prepetition Hedging Agreements and the satisfaction of the Prepetition Hedging Obligations owing thereunder in full in cash, or (b) other agreements satisfactory to the Consenting Prepetition Hedging Provider having been made. Absent the occurrence of (a) or (b) of this paragraph, the relief and protections provided by this Interim Order shall survive any order of the Court that may be entered (i) confirming any plan of reorganization or liquidation in any of these chapter 11 cases, (ii) converting any of

these chapter 11 cases to a case under chapter 7 of the Bankruptcy Code, or (iii) dismissing any of these chapter 11 cases, and shall be in addition to any and all rights, powers or privileges provided for by the Prepetition Hedging Agreements or the DIP Orders.

8. In addition to and without limiting the Consenting Prepetition Hedging Provider's rights under its Prepetition Hedging Agreements, in further exchange for providing benefits to the Debtors in accordance with this Interim Order, the Debtors shall promptly reimburse the Consenting Prepetition Hedging Provider for all reasonable and documented out-of-pocket legal fees, expenses, and disbursements incurred in connection with the review, negotiation, and enforcement of this Interim Order, the Prepetition Hedging Agreements and any related documents. Such reimbursement obligations shall constitute Prepetition Hedging Obligations entitled to DIP Liens, allowed DIP Superpriority Claims, and all other protections afforded to DIP Hedging Obligations by this Interim Order, the Final Order, and the DIP Orders.

9. As security and assurance of payment of the Prepetition Hedging Obligations, and in exchange for providing benefits to the Debtors in accordance with this Interim Order:

A. the DIP Agent (for the benefit of the Consenting Prepetition Hedging Provider) is hereby granted DIP Liens on the DIP Collateral to secure the Prepetition Hedging Obligations, which DIP Liens shall rank *pari passu* with the DIP Liens granted to the DIP Agent, for the benefit of the DIP Secured Parties (and if there are multiple tranches of DIP Secured Parties, such DIP Liens shall rank *pari passu* with the most senior tranche), pursuant to the DIP Orders and shall be in each case automatically perfected without the necessity of the execution by the Debtors (or recordation or other filing) of any further documents, including, without limitation, security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or by possession or control;

B. all Prepetition Hedging Obligations shall constitute allowed DIP Superpriority Claims against each of the Debtors, jointly and severally, pursuant to sections 364(c)(1) and 503(b)(1) of the Bankruptcy Code, shall have the same priority as the DIP Superpriority Claims in respect of DIP Obligations (and if there are multiple tranches of DIP Obligations, such DIP Superpriority Claims shall have the same priority as the DIP Superpriority Claims in respect of the most senior

tranche of DIP Obligations), and shall be allowed in an amount determined in accordance with the terms of the Prepetition Hedging Obligations; and

C. the Consenting Prepetition Hedging Provider may exercise any rights, powers and remedies under the Prepetition Hedging Obligations, including, without limitation, to accelerate, terminate and liquidate transactions and Prepetition Hedging Obligations and to set off, net, and apply any payment, settlement payment, termination values, termination payments, and any other amounts that such DIP Hedging Providers would be entitled to receive from any Debtor or otherwise be obligated to pay to any Debtor under any Prepetition Hedging Agreement in accordance with the terms of such Prepetition Hedging Agreement (all such rights, powers, and remedies, collectively, the “Prepetition Hedging Provider Rights and Remedies”) upon notice by such Consenting Prepetition Hedging Provider to the Debtor that is party to the applicable Prepetition Hedging Agreement in accordance with the applicable Prepetition Hedging Agreement, which notice and exercise of rights, powers and remedies shall not be stayed, avoided or otherwise limited by operation of any provision of the Bankruptcy Code.

10. The automatic stay provisions of section 362 of the Bankruptcy Code, and the setoff and netting provisions of section 553 of the Bankruptcy Code, are hereby modified solely to the extent necessary to:

A. permit immediate unconditional exercise and enforcement of rights and remedies by (i) the DIP Agent on behalf of the Consenting Prepetition Hedging Provider (including, but not limited to, foreclosure on the DIP Liens in order to collect from the Debtors amounts owed to the Consenting Prepetition Hedging Providers under the Prepetition Hedging Agreements) in accordance with the applicable DIP Agreements and (ii) the Consenting Prepetition Hedging Providers upon the occurrence and during the continuation of an Event of Default or a Termination Event (each as defined in the applicable Prepetition Hedging Agreement) under and in accordance with the terms of the applicable Prepetition Hedging Agreement, including, without limitation, the Consenting Prepetition Hedging Provider Rights and Remedies. The Debtors waive the right and shall not seek relief, including under section 105(a) or section 549 of the Bankruptcy Code, to the extent that any such relief would in any way restrict or impair the rights of any Consenting Prepetition Hedging Providers under the Prepetition Hedging Agreements or this Interim Order; provided that nothing herein shall limit the rights of the Debtors to seek an order from the Court on an expedited basis to challenge that an Event of Default or a Termination Event has actually occurred or is continuing;

B. permit the DIP Agent, on behalf of the Consenting Prepetition Hedging Provider, to take all actions to validate and perfect the liens and security interests granted hereunder and under the DIP Orders, including by filing or

recording financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments in any jurisdiction. For the avoidance of doubt, whether or not the DIP Agent chooses to file such financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments, take possession of or control over, or otherwise confirm perfection of the liens and security interests granted under this Interim Order, such liens and security interests shall be deemed valid, perfected, allowed, enforceable, non-avoidable, and not subject to challenge, dispute, or subordination, as of the date of their incurrence; and

C. provide that the Consenting Prepetition Hedging Providers' rights, powers, privileges, and remedies under the applicable Prepetition Hedging Agreements and this Interim Order may not be modified, stayed, avoided, or otherwise limited by further order of the Court or any court proceeding under the Bankruptcy Code, including but not limited to, the right to collect from the Debtors amounts that may be owed to a Consenting Prepetition Hedging Provider following novation, amendment, restructuring, termination, liquidation, or unwinding and the right to withhold performance pursuant to the terms of the Prepetition Hedging Agreement, without the consent of such parties.

11. The Debtors shall not enter into or perform under any new hedging or trading transactions before entry of the Final Order; *provided*, the Debtors may enter into and perform under any new hedging transactions entered into with the Consenting Prepetition Hedging Provider for the purpose of unwinding, managing risks relating to, or mitigating or limiting losses under hedging transactions existing as of the Petition Date.

12. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Interim Order without any duty of further inquiry and without liability for following the Debtors' instructions.

13. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored

as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any Hedging Agreements.

14. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

15. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Bankruptcy Local Rules are satisfied by such notice.

16. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order are immediately effective and enforceable upon its entry.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Interim Order in accordance with the Motion.

18. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Exhibit B

Proposed Final Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

| | | |
|--|--|--|
| <p>In re:</p> <p>EXTRACTION OIL & GAS, INC. <i>et al.</i>,¹</p> <p style="text-align: center;">Debtors.</p> | <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> | <p>Chapter 11</p> <p>Case No. 20- 11548 (___)</p> <p>(Joint Administration Requested)</p> <p>Re: Docket No. ___</p> |
|--|--|--|

FINAL ORDER

**(A) AUTHORIZING CONTINUATION
OF PREPETITION HEDGING AGREEMENTS,
(B) AUTHORIZING ENTRY INTO AND PERFORMANCE
UNDER POSTPETITION HEDGING AGREEMENTS, (C) GRANTING
DIP LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS,
(D) MODIFYING THE AUTOMATIC STAY AND (E) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of a final order (this “Final Order”)

(a) authorizing the Debtors to continue performance under Prepetition Hedging Agreements with the Debtors’ existing hedge counterparty that did not terminate such transactions as a result of the commencement of these chapter 11 cases (the “Consenting Prepetition Hedging Provider”);

(b) authorizing the Debtors to enter into and perform under Postpetition Hedging Agreements (and together with the Prepetition Hedging Agreements (as the same may be amended or amended and restated), the “DIP Hedging Agreements”) with DIP Lenders and/or their affiliates

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Extraction Oil & Gas, Inc. (3923); 7N, LLC (4912); 8 North, LLC (0904); Axis Exploration, LLC (8170); Extraction Finance Corp. (7117); Mountaintop Minerals, LLC (7256); Northwest Corridor Holdings, LLC (9353); Table Mountain Resources, LLC (5070); XOG Services, LLC (6915); and XTR Midstream, LLC (5624). The location of the Debtors’ principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion or in the DIP Orders, as applicable.

(the “Postpetition Hedging Providers,” and together with the Consenting Prepetition Hedging Providers, the “DIP Hedging Providers”); (c) authorizing the Debtors to perform under and honor, pay, or otherwise satisfy, and guarantee on a joint and several basis, all obligations and indebtedness of the Debtors with respect to the DIP Hedging Agreements (collectively, the “DIP Hedging Obligations”) as they come due; (d) authorizing the Debtors to grant DIP Liens (as defined in the DIP Orders) to the DIP Agent (as defined in the DIP Orders) for the benefit of the DIP Hedging Providers, to secure all DIP Hedging Obligations; (e) authorizing the Debtors to grant allowed DIP Superpriority Claims (as defined in the DIP Orders) to the DIP Hedging Providers on account of the DIP Hedging Obligations; (f) authorizing the DIP Agent to exercise all rights and remedies with respect to the DIP Collateral (as defined in the DIP Orders) for the benefit of the DIP Hedging Providers in accordance with the DIP Orders following the occurrence and continuation of an Event of Default or a Termination Event under, and as defined in, any of the DIP Hedging Agreements; and (g) authorizing the DIP Hedging Providers to set off, net, and apply any payment amounts that such DIP Hedging Providers would otherwise be obligated to pay to any Debtor under any of the DIP Hedging Agreements in accordance with the terms of such DIP Hedging Agreement, and (h) granting related relief, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the Amended Standing Order; and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity for a hearing on the

Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the “Hearing”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. Effective immediately upon entry of this Final Order, the Debtors are authorized, but not directed, to (i) continue hedging under Prepetition Hedging Agreements with the Consenting Prepetition Hedging Provider; (ii) enter into amendments to such Prepetition Hedging Agreements on terms satisfactory to the Consenting Prepetition Hedging Providers and the Debtors; (iii) enter into and perform under Postpetition Hedging Agreements with Postpetition Hedging Providers; (iv) incur and pay Continuation Fees to the Consenting Prepetition Hedging Providers in the aggregate amount of \$2.2 million; (v) honor, pay or otherwise satisfy all DIP Hedging Obligations as they come due; (vi) grant DIP Liens to the DIP Agent, for the benefit of the DIP Hedging Providers, to secure the DIP Hedging Obligations; and (vii) grant allowed DIP Superpriority Claims to the DIP Hedging Providers on account of the DIP Hedging Obligations. Upon the closing of the DIP Facility, all DIP Hedging Obligations shall constitute DIP Obligations (as defined in the DIP Orders).
3. Notwithstanding any provision herein, in the Motion, in any interim or final orders entered by the Court approving the Debtors’ entry into any postpetition debtor-in-possession financing facility and/or authorizing the Debtors’ use of cash collateral (in either case, the “DIP Orders”), or other order to the contrary, one hundred percent (100%) of the cash proceeds due to,

or received by, any Debtor as a result of any novation, amendment, restructuring, termination, liquidation or unwinding of any (i) Prepetition Hedging Agreements shall be used to prepay amounts outstanding under the Prepetition Credit Agreement, applied pursuant to the terms thereof and (ii) Postpetition Hedging Agreements shall be used to prepay amounts outstanding under the DIP Credit Agreement, applied pursuant to the terms thereof. Any such cash proceeds shall be paid to the Prepetition Agent or DIP Agent, as applicable, immediately upon receipt thereof by the applicable Debtor (or any other person on such Debtor's behalf), for application to the Prepetition Lenders or DIP Lenders, as applicable.

4. As security and assurance of payment of the DIP Hedging Obligations, and in exchange for providing benefits to the Debtors in accordance with this Final Order:

A. the DIP Agent (for the benefit of the DIP Hedging Providers) is hereby granted DIP Liens on the DIP Collateral to secure the DIP Hedging Obligations, which DIP Liens shall rank *pari passu* with the DIP Liens granted to the DIP Agent, for the benefit of the DIP Secured Parties (and if there are multiple tranches of DIP Secured Parties, such DIP Liens shall rank *pari passu* with the most senior tranche), pursuant to the DIP Orders and shall be in each case automatically perfected without the necessity of the execution by the Debtors (or recordation or other filing) of any further documents, including, without limitation, security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or by possession or control;

B. all DIP Hedging Obligations shall constitute allowed DIP Superpriority Claims against each of the Debtors, jointly and severally, pursuant to sections 364(c)(1) and 503(b)(1) of the Bankruptcy Code, shall have the same priority as the DIP Superpriority Claims in respect of DIP Obligations (and if there are multiple tranches of DIP Obligations, such DIP Superpriority Claims shall have the same priority as the DIP Superpriority Claims in respect of the most senior tranche of DIP Obligations), and shall be allowed in an amount determined in accordance with the terms of the DIP Hedging Agreements; and

C. the DIP Hedging Providers may exercise any rights, powers and remedies under the DIP Hedging Agreements, including, without limitation, to accelerate, terminate and liquidate transactions and DIP Hedging Obligations and to set off, net, and apply any payment, settlement payment, termination values, termination payments, and any other amounts that such DIP Hedging Providers would be entitled to receive from any Debtor or otherwise be obligated to pay to

any Debtor under any DIP Hedging Agreement in accordance with the terms of such DIP Hedging Agreement (all such rights, powers, and remedies, collectively, the “DIP Hedging Provider Rights and Remedies”) upon notice by such DIP Hedging Provider to the Debtor that is party to the applicable DIP Hedging Agreement in accordance with the applicable DIP Hedging Agreement, which notice and exercise of rights, powers and remedies shall not be stayed, avoided or otherwise limited by operation of any provision of the Bankruptcy Code.

5. The automatic stay provisions of section 362 of the Bankruptcy Code, and the setoff and netting provisions of section 553 of the Bankruptcy Code, are hereby modified solely to the extent necessary to:

A. permit immediate unconditional exercise and enforcement of rights and remedies by (i) the DIP Agent on behalf of each DIP Hedging Provider (including, but not limited to, foreclosure on the DIP Liens in order to collect from the Debtors amounts owed to the DIP Hedging Providers under the DIP Hedging Agreements) in accordance with the applicable DIP Agreements and (ii) the DIP Hedging Providers upon the occurrence and during the continuation of an Event of Default or a Termination Event (each as defined in the applicable DIP Hedging Agreement) under and in accordance with the terms of the applicable DIP Hedging Agreement, including, without limitation, the DIP Hedging Provider Rights and Remedies. The Debtors waive the right and shall not seek relief, including under section 105(a) or section 549 of the Bankruptcy Code, to the extent that any such relief would in any way restrict or impair the rights of any DIP Hedging Providers under the DIP Hedging Agreements or this Final Order; provided that nothing herein shall limit the rights of the Debtors to seek an order from the Court on an expedited basis to challenge that an Event of Default or a Termination Event has actually occurred or is continuing;

B. permit the DIP Agent, on behalf of the DIP Hedging Providers, to take all actions to validate and perfect the liens and security interests granted hereunder and under the DIP Orders, including by filing or recording financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments in any jurisdiction. For the avoidance of doubt, whether or not the DIP Agent chooses to file such financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments, take possession of or control over, or otherwise confirm perfection of the liens and security interests granted under this Final Order, such liens and security interests shall be deemed valid, perfected, allowed, enforceable, non-avoidable, and not subject to challenge, dispute, or subordination, as of the date of their incurrence; and

C. provide that the DIP Hedging Providers’ rights, powers, privileges, and remedies under the applicable DIP Hedging Agreements and this Final Order may not be modified, stayed, avoided, or otherwise limited by further order of the Court or any court proceeding under the Bankruptcy Code, including but not limited

to, the right to collect from the Debtors amounts that may be owed to a DIP Hedging Provider following novation, amendment, restructuring, termination, liquidation, or unwinding the right to withhold performance pursuant to the terms of the DIP Hedging Agreements, without the consent of such parties.

6. If any provision of this Final Order or the DIP Orders is stayed, modified in a manner adverse to a DIP Hedging Provider, or vacated, or if this Final Order or the DIP Orders otherwise terminates, then such stay, modification, vacation, or termination will not affect (a) the validity or priority of any indebtedness, obligation, or liability incurred pursuant to or arising from any transaction entered into by the Debtors with any of the DIP Hedging Providers pursuant to the DIP Hedging Agreements before the receipt of written notice by the DIP Hedging Providers of the effective date of such stay, modification, vacation, or termination; (b) the validity, priority or enforceability of the security interests, superpriority administrative claims, and netting, setoff, collection, and termination rights authorized or created hereby or pursuant to the DIP Hedging Agreements, or any related documents; and (c) the rights of the DIP Hedging Providers to exercise remedies as set forth in the DIP Hedging Agreements, and each of the DIP Hedging Providers shall be entitled to the benefits of the provisions of section 364(e) of the Bankruptcy Code for any credit extended pursuant to this Final Order.

7. Each DIP Hedging Provider shall enjoy the DIP Superpriority Claims, DIP Liens, automatic stay relief, and other protections provided by this Final Order and the DIP Orders in respect of each such transaction until the earliest of (a) the termination of such DIP Hedging Provider's DIP Hedging Agreement and the satisfaction of the DIP Hedging Obligations owing thereunder in full in cash, or (b) other agreements satisfactory to such DIP Hedging Provider having been made. Absent the occurrence of (a) or (b) of this paragraph, the relief and protections provided by this Final Order shall survive any order of the Court that may be entered (i) confirming any plan of reorganization or liquidation in any of these chapter

11 cases, (ii) converting any of these chapter 11 cases to a case under chapter 7 of the Bankruptcy Code, or (iii) dismissing any of these chapter 11 cases, and shall be in addition to any and all rights, powers or privileges provided for by the DIP Hedging Agreements or the DIP Orders.

8. In addition to and without limiting each DIP Hedging Provider's rights under its DIP Hedging Agreements, in further exchange for providing benefits to the Debtors in accordance with this Final Order, the Debtors shall promptly reimburse each DIP Hedging Provider for all reasonable and documented out-of-pocket legal fees, expenses, and disbursements incurred in connection with the review, negotiation, and enforcement of this Final Order, the DIP Hedging Agreements and any related documents. Such reimbursement obligations shall constitute DIP Hedging Obligations entitled to DIP Liens, allowed DIP Superpriority Claims, and all other protections afforded to DIP Hedging Obligations by this Final Order and the DIP Orders.

9. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved by this Final Order without any duty of further inquiry and without liability for following the Debtors' instructions.

10. The Debtors are authorized to issue postpetition checks, or to effect postpetition fund transfer requests, in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any Hedging Agreements.

11. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(e).

12. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Bankruptcy Local Rules are satisfied by such notice.

13. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Final Order are immediately effective and enforceable upon its entry.

14. The Debtors are authorized to take all actions necessary to effectuate the relief granted in this Final Order in accordance with the Motion.

15. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

Exhibit C

Grady Declaration

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

| | | |
|---|---|----------------------------------|
| In re: |) | |
| |) | Chapter 11 |
| EXTRACTION OIL & GAS, INC. <i>et al.</i> , ¹ |) | Case No. 20-11548 (___) |
| |) | |
| Debtors. |) | (Joint Administration Requested) |
| |) | |

**DECLARATION OF JAMES M. GRADY
IN SUPPORT OF THE DEBTORS’ MOTION
FOR ENTRY OF INTERIM AND FINAL ORDERS
(I) AUTHORIZING CONTINUATION OF PREPETITION
HEDGING AGREEMENTS, (II) AUTHORIZING ENTRY
INTO AND PERFORMANCE UNDER POSTPETITION HEDGING,
AGREEMENTS, (III) PROVIDING SUPERPRIORITY ADMINISTRATIVE
EXPENSE STATUS IN RESPECT OF POSTPETITION HEDGING AGREEMENTS,
(IV) MODIFYING THE AUTOMATIC STAY AND (V) GRANTING RELATED RELIEF**

I, James M. Grady, hereby declare under penalty of perjury:

1. I submit this declaration in support of the *Debtors’ Motion for Entry of Interim and Final Orders (I) Authorizing the Continuation of Prepetition Hedging Agreement, (II) Authorizing Entry into and Performance Under Postpetition Hedging Agreements, (III) Providing Superpriority Administrative Expense Status in Respect of Postpetition Hedging Agreements, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief* (the “Hedging Motion”).²

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Extraction Oil & Gas, Inc. (3923); 7N, LLC (4912); 8 North, LLC (0904); Axis Exploration, LLC (8170); Extraction Finance Corp. (7117); Mountaintop Minerals, LLC (7256); Northwest Corridor Holdings, LLC (9353); Table Mountain Resources, LLC (5070); XOG Services, LLC (6915); and XTR Midstream, LLC (5624). The location of the Debtors’ principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.

² Capitalized terms used but not defined herein have the meanings given to such terms in the Hedging Motion or in the DIP Orders, as applicable.

2. Except as otherwise indicated herein, all facts set forth in this declaration are based upon my personal knowledge, my discussions with the Debtors' management team and advisors, including the Alvarez & Marsal team working under my supervision, my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives, or my experience and knowledge. I am over the age of 18 and authorized to submit this declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth herein.

Professional Background and Qualifications

3. I am a Managing Director at Alvarez & Marsal North America LLC ("A&M") and have served as restructuring advisor to the Debtors since April, 2020.

4. I have been a full-time restructuring advisor for over 20 years. I received a B.S. in accountancy from the University of Illinois. I am a veteran of the United States Navy, and I am a Certified Public Accountant. I have been employed by A&M for over 18 years. A&M is a preeminent restructuring consulting firm with extensive experience and an excellent reputation for providing high quality, specialized management and restructuring advisory services to debtors and distressed companies. Specifically, A&M's core services include turnaround advisory services, interim and crisis management, revenue enhancement, claims management, and creditor and risk management advisory services. A&M provides a wide range of debtor advisory services targeted at stabilizing and improving a company's financial position, including: developing or validating forecasts, business plans and related assessments of strategic position; monitoring and managing cash, cash flow and supplier relationships; assessing and recommending cost reduction strategies; and designing and negotiating financial restructuring packages. Additionally, A&M provides advice on specific aspects of the turnaround process and helps manage complex constituency relations and communications. A&M is known for its

ability to work alongside company management and key constituents during chapter 11 restructurings to develop a feasible and executable plan of reorganization. Some notable, publicly-disclosed restructuring assignments that I have personally advised on include Pioneer Energy Services Corp., Enduro Resources Partners, Expro International Group Holdings Limited, AFGlobal Corporation, and Longview Power.

5. I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records. I am also familiar with the Debtors' supply chain and the status of the Debtors' relationships with various vendors, suppliers, and service-providers.

6. Specifically, in my role as financial advisor to the Debtors, A&M, among other advisory services: (a) assisted the Debtors with its cash management and cash forecasting efforts; (b) assisted the Debtors with their contingency planning efforts in preparing for a potential chapter 11 filing; (c) assisted the Debtors in negotiating the DIP Facility and the Interim Order; and (d) assisted the Debtors with due diligence efforts.

7. I am not being specifically compensated for this testimony other than through payments received by A&M as a professional retained by the Debtors.

The Immediate Need for Access to the Hedging Agreements

8. I am familiar with the hedging activities and the Debtors' immediate liquidity needs. Based on my experience in the restructuring industry generally and my experience with the Debtors in particular, I believe that the approval of the proposed DIP Interim Order, including the continuation of Prepetition Hedging Agreements, authorization to enter into and perform under Postpetition Hedging Agreements, the payment of the Continuation Fees and granting allowed DIP Superpriority Claims to the Consenting Prepetition Hedging Provider on account of the Prepetition Hedging Agreements during the interim period, is essential for the continued operation of the Debtors' business and a prerequisite to a successful reorganization.

9. To achieve more predictable cash flow and reduce their exposure to adverse fluctuations in commodity prices, the Debtors periodically enter into commodity derivative arrangements for their oil and natural gas production. By removing a significant portion of price volatility associated with their oil and natural gas production, the Debtors believe they are able to mitigate, but not eliminate, the potential negative effects of reductions in oil and natural gas prices on their cash flow from operations for the periods covered under derivative arrangements. The Debtors realize gains on the derivatives to the extent their derivatives contract prices are higher than market prices. In certain circumstances, where the Debtors have unrealized gains in their derivative portfolio, they may choose to restructure existing derivative contracts or enter into new transactions to modify the terms of current contracts in order to realize the current value of their existing positions.

10. Seven of the nine counterparties to the Debtors' secured Prepetition Hedging Agreements were also lenders under the Debtors' RBL Facility. Certain of these counterparties informed the Debtors of their intent to exercise their rights under the "safe harbor" protections of the Bankruptcy Code to terminate such hedging agreements upon the Debtors' filing of these chapter 11 cases. As a result, the Debtors negotiated with four of the counterparties to the secured Prepetition Hedging Agreements to effect an orderly unwinding of those hedges. The Debtors' derivative arrangements under its sole unsecured hedging agreement and under five of its secured hedging agreements remain in place as of the Petition Date.

11. Additionally, prior to the Petition Date, the Debtors negotiated amendments to its derivative arrangement with the sole Consenting Prepetition Hedging Provider. The Consenting Prepetition Hedging Provider, with whom the Debtors have their largest remaining hedge position, have agreed not to exercise their rights to terminate the Prepetition Hedging

Agreements in exchange for the foregoing Continuation Fees and superpriority expense claim status to the Prepetition Hedging Agreements.

12. Continuation of the Prepetition Hedging Agreements with the Consenting Prepetition Hedging Provider is a significant, and most importantly, low-risk means to reduce the impact of commodity price volatility on the Debtors' cash flow stream. For the volume of production that remains unhedged, a company will bear the full brunt of price fluctuations. Importantly, because hedging agreements expire after a specified period of time, no company can hedge all of its production indefinitely. Instead, as hedges expire, a company must negotiate extensions to such hedges or decide whether to enter into new hedges based on then-current market conditions.

13. There is no question that a sound business purpose exists for the Debtors to continue the Prepetition Hedging Agreements and enter into the Postpetition Hedging Agreements, which would provide a low-risk means to reduce the impact of volatility on the Debtors' cash flow, would help the Debtors' limit working capital requirements, and, therefore, should enhance the value of the Debtors' estates for the benefit of all their stakeholders.

Conclusion

14. In light of the Debtors' circumstances, I believe the terms of the Interim Order are reasonable, appropriate, and necessary. Continuation of the Prepetition Hedging Agreements with the Consenting Prepetition Hedging Provider in my view, will allow for a successful reorganization of the Debtors' estates, which will maximize value for the benefit of their creditors, employees, vendors, and other stakeholders who will benefit through the Debtors' continued operation.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct.

Dated: June 15, 2020
Wilmington, Delaware

By: /s/ James M. Grady
Name: James M. Grady
Title: Managing Director
Alvarez & Marsal North America, LLC
*Proposed Restructuring Advisor to the
Debtors and Debtors-in-Possession*