

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

EXTRACTION OIL & GAS, INC., *et al.*,

Debtor.

Chapter 11

Case No. 20-11548 (CSS)

EXTRACTION OIL & GAS, INC.,

Plaintiff,

v.

ROCKY MOUNTAIN MIDSTREAM LLC,

Defendant.

Adv. Proc. No. 20-50840 (CSS)

Related to Docket No. 33

**ROCKY MOUNTAIN MIDSTREAM LLC'S NOTICE OF FILING OF PROPOSED
REDACTED RESPONSE TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

PLEASE TAKE NOTICE that on November 23, 2020, Rocky Mountain Midstream, LLC ("RMM") filed under seal *Rocky Mountain Midstream LLC's Response to Plaintiff's Motion for Summary Judgment* [D.I. 33] (the "Response").

PLEASE TAKE FURTHER NOTICE that contemporaneous with the filing of this notice (the "Notice"), RMM filed a *Motion of Defendant Rocky Mountain Midstream, LLC to Seal Its Response to Plaintiff's Motion for Summary Judgment* (the "Seal Motion") to file under seal unredacted versions of the Response, and to publicly file a redacted version of the Response. A redacted version of the Response is attached hereto in **Exhibit 1**.

PLEASE TAKE FURTHER NOTICE that in accordance with Local Rule¹ 9018-1(d), RMM and Plaintiff have conferred, and agreed to scope of the redactions.

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Seal Motion.



Dated: December 10, 2020

Respectfully submitted,

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Exhibit 1

Proposed Redacted Response

**IN THE UNITED STATES BANKRUPTCY COURT
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**ROCKY MOUNTAIN MIDSTREAM LLC'S
RESPONSE TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

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.

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1. Rocky Mountain Midstream LLC (“RMM”) respectfully files this Response to the Motion for Summary Judgment (“Motion”) filed by Debtor Extraction Oil & Gas, Inc. (“Extraction”). Adv. D.I. 3-4.² The Motion should be denied for the reasons that follow.

PRELIMINARY STATEMENT

2. RMM acknowledges that the Court has already ruled on three other summary-judgment motions in which Extraction raised the same arguments it makes here. While those motions attacked different contracts with other midstream providers, RMM understands that the Court may follow the same reasoning and hold that its contracts failed to create covenants running with the land. To preserve its rights and make its record for appeal, however, RMM has an obligation to explain why following the Court’s prior rulings would be mistaken here.³

3. In this case, Extraction seeks to reject two Gathering Agreements (defined below) in which RMM agreed to provide critically necessary gas gathering and processing services to Extraction’s wells in several defined areas of Colorado. Extraction agreed to pay service fees and “dedicated” its underlying real property interests to the performance of the agreements. Extraction also promised, in unambiguous terms, that its commitments would “run with the land” and bind successors. This adversary proceeding exists because Extraction initially recognized that such real property covenants cannot be rejected under 11 U.S.C. § 365(a). So, it asked the Court to declare that its intended covenants running with the land were not really covenants running with the land.

4. While Extraction has now argued in the main case that it can reject even real property covenants, this proceeding is confined to the question of whether the Gathering

² Any citation to the “Motion” is to the Brief in Support of Plaintiff’s Motion for Summary Judgment. Adv. D.I. 4.

³ In hopes of limiting unnecessary redundancies, RMM hereby adopts and incorporates by reference the other defendants’ summary-judgment briefs in those proceedings. Adv. Pro. No. 20-50816, Adv. D.I. 20; Adv. Pro. No. 20-50833, Adv. D.I. 21; Adv. Pro. No. 20-50839, Adv. D.I. 11, 26, 29; *see also* FED. R. CIV. P. 10; FED. R. BANKR. P. 7010.

Agreements contain covenants running with the land. They do under Colorado law because: (1) the parties intended for the Gathering Agreements to run with the land; and (2) they touch and concern the land. There is no need to satisfy privity of estate under Colorado law, but the Gathering Agreements do so anyway—whatever the standard might be.

5. The Court may well reject each of these arguments, as it did in the other cases. But RMM respectfully submits that Colorado law requires a different result for several reasons, including because of the direct impact that gas gathering agreements have on real property rights. Indeed, other bankruptcy courts have held that similar agreements created covenants running with the land because of their deep connection to the development of unproduced gas reserves. *In re Alta Mesa Res., Inc.*, 613 B.R. 90, 99-100 (Bankr. S.D. Tex. 2019); *In re Badlands Energy, Inc.*, 608 B.R. 854, 875 (Bankr. D. Colo. 2019). The Court should follow those authorities and hold that the Gathering Agreements contain covenants that run with the land.

BACKGROUND

A. RMM provides natural gas gathering and processing services to Extraction under several gathering agreements.

6. Extraction is an oil and gas company focused on the acquisition, development, and production of oil, natural gas, and natural gas liquid reserves in the Denver-Julesburg (“DJ”) Basin of Colorado. D.I. 18 ¶ 10. Extraction operates primarily in the “upstream” oil and gas sector, meaning its activities focus on extracting minerals from beneath the surface pursuant to oil and gas leases with property owners. *Id.* ¶¶ 10, 20-23; Owens Dep. 245; Larsen Decl., Ex. A10.⁴

7. This proceeding focuses on natural gas. Unlike oil, natural gas cannot be stored or trucked away from a wellsite after it is produced. Larsen Decl. ¶¶ 5-6. It must be immediately

⁴ Facts supporting this response are contained in the declaration of Larry Larsen (“Larsen Decl.”) (**Exhibit A**), the transcript and exhibits of Matt Owens’ 30(b)(6) deposition (“Owens Dep.”), the declaration of Ryan Pitts (**Exhibit B**), and other documents filed of record.

“gathered,” or transported, from the wells by way of pipelines linked to central facilities, where the gas is processed to separate valuable mineral components. *Id.* After processing, the gas can be transported to market centers or end users. *Id.* Rather than investing their own capital into these gathering systems, producers like Extraction often contract with “midstream” companies like RMM to build and operate this infrastructure. *Id.* Natural gas production is worthless without access to a gas gathering system. *Id.*; *see also* Owens Dep. 28, 97, 142-43; D.I. 18 ¶ 30. Indeed, Extraction has admitted that it “always” makes “decisions on where to drill, based off of the available midstream infrastructure” and has no interest in “drilling wells that would not be able to produce.” Owens Dep. 28, 163; *see also* Larsen Decl. ¶¶ 5-6.

8. RMM provides gathering and processing services for Extraction’s wells in several areas of Colorado under agreements that required RMM to construct, own, and operate an extensive and expensive network of pipelines, compressor stations, processing plants, and related equipment. Two of those agreements are at issue here, which Extraction has defined as the 2018 “Broomfield Agreement” and the 2019 “East Greeley Agreement” (together, the “Gathering Agreements”). Larsen Decl., Exs. A2 & A4. For convenience, RMM will use the same terms.

9. The parties’ relationship traces back to 2017. During that period, Extraction was acquiring consolidated leasehold interests in the DJ Basin in hopes of drilling hundreds if not thousands of new horizontal wells. Owens Dep. 71-72, 75, 95; Dep. Ex. 10. But, it had a problem with the existing midstream providers in this area: Western Midstream Partners (“Western”) and DCP Midstream Partners (“DCP”). Owens Dep. 19-20, 102-05, 160, 162, 235; Dep. Ex. 11, 13-15. Their existing gathering and processing systems were at or near capacity, meaning they could not effectively move the high volumes of gas that Extraction hoped to produce. *See id.* And because Western was an affiliate of Anadarko Petroleum Corp., Anadarko received higher priority service

on Western's system. Larsen Decl. ¶ 8. So Extraction looked for other midstream providers to free up the bottleneck and unlock its production. Owens Dep. 175, 188.

10. Around the same time, RMM's predecessor—Discovery DJ Services LLC ("Discovery")—wanted to expand its midstream business in the DJ Basin. Larsen Decl. ¶ 9; *see* Dep. Ex. 11 at 17. In November 2017, Discovery agreed to provide gathering services for a few of Extraction's wells, under an agreement not at issue here. *Id.*

11. The success of that agreement paved the way for the Broomfield Agreement, which covers a larger dedication area in Broomfield and surrounding counties. Broomfield Agr., Ex. B.⁵ Historically, Extraction had relied on Western for midstream services in this area. Owens Dep. 19-20. But Extraction had concerns about Western's future gathering and processing capacity, and Discovery was willing to build new infrastructure to support Extraction's development plans, further diversifying Extraction's midstream providers. Owens Dep. 235; Larsen Decl. ¶¶ 8-10. So the parties entered the Broomfield Agreement, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] In August of 2018, Discovery was acquired by a joint venture between KKR Ascent Aggregator L.P. and Williams Rocky Mountain Midstream LLC, which changed Discovery's name to RMM. Larsen Decl. ¶ 11 & Ex. A3. The rest of this brief will reference RMM as the gathering company under the Gathering Agreements.

⁵ RMM will cite the East Greeley Agreement (Larsen Decl., Ex. A4) as "E. Greeley Agr. ¶ [#]" and will cite the Broomfield Agreement (Larsen Decl., Ex. A2) as "Broomfield Agr. ¶ [#]."

12. In February 2019, Extraction and RMM entered into the East Greeley Agreement, which covers a dedication area near the town of Greeley. DCP historically serviced this area, but as discussed above, DCP's infrastructure was at full capacity and limiting Extraction's production—it did not allow for production increase that Extraction desired. Owens Dep. 102-05, 160, 162. East Greeley was Extraction's best asset, and if it could not drill quickly, Extraction was likely to lose the right to drill in this lucrative area due to permitting and regulatory constraints. Dep. Ex. 17 at 2; Owens Dep. 208; Larsen Decl. ¶ 12. So, Extraction turned to RMM to build new infrastructure to unlock this production, accelerate development, and increase the net present value of its assets. Owens Dep. 101, 222; Dep. Exs. 17, 43. [REDACTED]

[REDACTED]

[REDACTED]

13. In total, RMM has invested hundreds of millions of dollars under the Gathering Agreements to own, operate, and maintain these gathering systems—enabling Extraction to develop its oil and gas leaseholds. Larsen Decl. ¶ 13 & Ex. A5.

B. Extraction dedicated its property interests to the performance of these agreements and agreed they would run with the land.

14. Both Gathering Agreements contain materially identical provisions as they relate to the issues before the Court. In Section 2.5, RMM agrees to gather and process, subject to limitations, all the gas that Extraction produces in the dedicated areas and delivers to certain defined “Delivery Points.” Broomfield Agr. ¶ 2.5; E. Greeley Agr. ¶ 2.5.⁶ Section 3.1 provides that RMM [REDACTED]

[REDACTED]

⁶ In addition, RMM also has the right under both Gathering Agreements to buy residue gas and natural gas liquids from Extraction. Larsen Decl. ¶ 16. RMM has exercised this right every month since these Agreements' inception. *Id.*

[REDACTED] *Id.*

¶ 3.1. In exchange, Extraction agrees to pay certain service fees. *Id.* ¶ 4.2.

15. Extraction also dedicated its real property interests in the relevant geographic areas—including its leasehold interests—to the performance of the Gathering Agreements. With some exceptions, Section 2.1 states that Extraction:

[REDACTED]

Id. ¶ 2.1 (collectively, the “Dedications”). Under both Agreements, the “Dedicated Interests” are specifically defined to include Extraction’s [REDACTED]

[REDACTED], Ex. A ¶ I(x) (bracketed language added); E. Greeley Agr., Ex. A ¶ I(bb) (bracketed language in original).

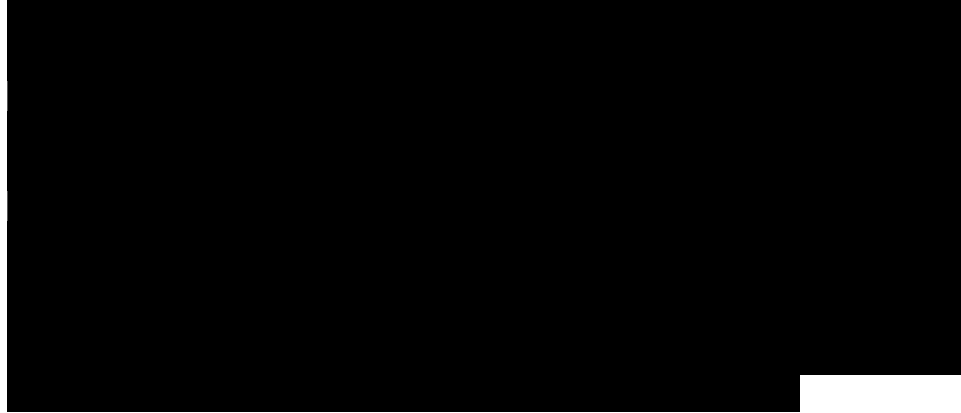
16. In other words, Extraction promised to use RMM’s gathering services—and pay the associated fees—for all of the natural gas produced from its wells in the relevant areas of interest. Larsen Decl. ¶ 14. Dedications like these are very common in gas gathering agreements because they provide assurance that the producer will pay to use the gathering company’s system, rather than using some other provider’s services. *Id.*⁷

17. Extraction also promised, through the Gathering Agreements, that its Dedications and other commitments would “run with the land” and bind its successors. Broomfield Agr. ¶ 2.4;

⁷ Judith M. Matlock, *Natural Gas Gathering, Transportation, and Storage Agreements*, ROCKY MT. MIN. L. FDN. 6-1 (2005) (“For gathering arrangements which require the construction of significant facilities, it is not uncommon for the gatherer to require a dedication of the producer’s right, title and interest in production from specific wells, leases, or geographic area for a specified term.”); Jordan D. Volino, *Midstream Acreage Dedications: Covenants Running with the Land or a Conveyancing Confusion?*, 2 OIL & GAS, NAT. RES. & ENERGY J. 397, 399 (2016) (“An acreage dedication is intended to assure a midstream company . . . that a sufficient utilization of the midstream gathering and processing system will be used, and that the maximum amount of natural gas will be transported by a trunk pipeline.”).

E. Greeley Agr. ¶ 2.4. These provisions ensure that a gathering company will be compensated for its investments in infrastructure even if the producer sells its mineral interests—as is so common in the oil and gas business—which makes sense because the successor benefits from the gathering system just like the original producer did. *See, e.g., Volino, supra* n.7, at 401, 410.

18. Extraction agreed to create covenants running with the land in unambiguous terms:



Broomfield Agr. ¶ 2.4 (bracketed language in original); E. Greeley Agr. ¶ 2.4 (includes some additional language). Other provisions of the Gathering Agreements further confirm that

[REDACTED]

[REDACTED]

[REDACTED] Broomfield Agr. ¶ 2.3 & Ex. A ¶ XIII; E. Greeley Agr. ¶ 2.3 & Ex. A ¶ XIII.

C. Extraction seeks to reject two agreements with RMM, as it has others.

19. The Debtors have sought to use the bankruptcy process to systematically eliminate these and other midstream agreements, despite promising they would run with the land. Extraction initially filed motions to reject in the main case. D.I. 14, 412. RMM and others objected that their agreements could not be rejected because they contained covenants that run with the land and that any ruling to the contrary would require an adversary proceeding. D.I. 157, 363, 521, 612, 655.

20. Extraction initiated five adversary proceedings seeking to invalidate these real property covenants. The defendants were: REP Processing, LLC (Adv. Pro. 20-50813), Grand Mesa Pipeline, LLC (Adv. Pro. 20-50816), Platte River Midstream, LLC and DJ South Gathering, LLC (Adv. Pro. 20-50833), Elevation Midstream, LLC (Adv. Pro. 20-50839), and RMM. In each case, Extraction moved for summary judgment when it filed the complaint. But, the cases proceeded on different schedules due to discovery differences and commercial negotiations.

21. Three of the five cases (against Elevation, Platte River, and Grand Mesa) proceeded to argument first. On October 14, 2020, this Court resolved them through substantially similar Findings of Fact and Conclusions of Law. Adv. Pro. 20-50816, D.I. 45; Adv. Pro. 20-50833, D.I. 54; Adv. Pro. 20-50839, D.I. 51 (collectively, the “Adversary Opinions”).⁸ Although the contracts at issue in the Adversary Opinions varied,⁹ the Court’s conclusion was essentially the same: it found that none of the agreements contained covenants running with the land. Elevation Op. 2-3. The “central issue,” according to the Court, was whether the dedications in these contracts touched and concerned the land under Colorado law. *Id.* at 3. With minor exceptions, the Court concluded that they did not because they “concern only personal property and do not affect the physical use of real property or closely relate to real property.” *Id.* For similar reasons, the Court also held the agreements had not satisfied horizontal privity. *Id.* at 43.

22. On November 2, 2020, the Court allowed Extraction to reject those agreements after finding that to be a proper exercise of its business judgment. D.I. 942. Despite its conclusion

⁸ For convenience, RMM will primarily cite to the opinion in the Elevation proceeding (as “Elevation Op. [pg#]”). Any citation to the Elevation Opinion is intended to encompass the corresponding rulings in the other opinions.

⁹ One notable difference was the type of minerals at issue. The Grand Mesa and Platte River proceedings involved agreements for the transportation of crude oil. Adv. Pro. 20-50816, D.I. 45 at 6-7; Adv. Pro. 20-50833, D.I. 54 at 3. The Elevation proceeding involved three integrated agreements for the transportation of crude oil, produced water, and natural gas. Elevation Op. 3-4. These differences are relevant to the analysis below.

that none of those agreements contained real property covenants, the Court held that covenants running with the land can be rejected under Section 365(a). *See id.* at 12-19.

STANDARD OF REVIEW

23. Summary judgment may be granted when the movant demonstrates that there are no genuine issues of material fact and that it is entitled to judgment as a matter of law. FED. R. BANKR. P. 7056; FED. R. CIV. P. 56(c); *Orexo AB v. Actavis Elizabeth LLC*, 371 F. Supp. 3d 175, 180 (D. Del. 2019). RMM can defeat summary judgment by pointing to any evidence of a fact issue on an element of Extraction’s claims or otherwise demonstrating that Extraction is not entitled to judgment as a matter of law. *Acceleration Bay LLC v. Take-Two Interactive Software, Inc.*, — F. Supp. 3d —, 2020 WL 1333131, at *3 (D. Del. Mar. 23, 2020). The summary judgment standard does not differ for declaratory judgment actions. *Cloverland-Green Spring Dairies, Inc. v. Pa. Milk Mktg. Bd.*, 298 F.3d 201, 210 n.12 (3d. Cir. 2002).

ARGUMENT AND AUTHORITIES

I. The Gathering Agreements contain covenants that run with the land.

24. Though this Court has held otherwise, RMM submits that Colorado law requires only two elements for a covenant to run with the land: (1) the parties must intend for it to run with the land; and (2) the covenant must “touch and concern” the land. *Reishus v. Bullmasters, LLC*, 409 P.3d 435, 440 (Colo. App. 2016); *Lookout Mountain Paradise Hills Homeowners’ Ass’n v. Viewpoint Assocs.*, 867 P.2d 70, 74 (Colo. App. 1993); *Cloud v. Ass’n of Owners, Satellite Apt. Bldg., Inc.*, 857 P.2d 435, 440 (Colo. App. 1992). *But see* Elevation Op. 32-33.¹⁰

¹⁰ While the Gathering Agreements select Texas law to govern the parties’ contractual relationship, Extraction has asserted that questions about the nature and validity of the real property interests created by the Agreements are determined by the law of the state where the property sits (Colorado). Motion at 9 & n.1.

25. Extraction's Motion should be denied because the Gathering Agreements satisfy both elements—or at a minimum, there are fact issues precluding summary judgment. The Gathering Agreements also satisfy privity of estate to the extent that is a required element under Colorado law. The Court should hold that the Gathering Agreements contain covenants that run with the land and, for that reason alone, should ultimately hold in the main case that the Gathering Agreements cannot be rejected under Section 365(a).¹¹

A. The parties intended to create covenants running with the land.

26. There is no question that Extraction and RMM intended to create covenants running with the land in the Gathering Agreements. *Reishus*, 409 P.3d at 440. They said so explicitly.

27. It is hard to be clearer than including a standalone provision [REDACTED]

[REDACTED] Broomfield Agr. ¶ 2.4; E. Greeley Agr. ¶ 2.4. Yet the Gathering Agreements go even further by stating that the [REDACTED]

¹¹ Extraction will surely argue in the main case that it can reject the Gathering Agreements even if they contain covenants running with the land, and this Court has adopted that argument. *See* D.I. 681; D.I. 942 at 12-19. This issue is not yet ripe as to RMM, and RMM will fully address it in the context of any further rejection proceedings. But in short: real property covenants are not subject to rejection under Section 365(a) because they are not executory contracts at all. *Gouveia v. Tazbir*, 37 F.3d 295, 298-99 (7th Cir. 1994); *In re Beeter*, 173 B.R. 108, 114-15 (Bankr. W.D. Tex. 1994); *see also, e.g., In re Sabine Oil & Gas Corp.*, 734 F. App'x 64, 65 (2d Cir. 2018); *In re Bon-Ton Stores, Inc.*, No. 18-10248, D.I. 1241 at ¶ L (Bankr. D. Del. Nov. 30, 2018); *In re Banning Lewis Ranch Co.*, 532 B.R. 335, 346 (Bankr. D. Colo. 2015); *In re Rivera*, 256 B.R. 828, 834 (Bankr. M.D. Fla. 2000).

[REDACTED] Broomfield

Agr. ¶¶ 2.3, 2.4 & Ex. A ¶ XIII; E. Greeley Agr. ¶¶ 2.3, 2.4 & Ex. A ¶ XIII.

28. Colorado courts have consistently held that the intent element is satisfied by this kind of explicit language. *See, e.g., DeJean v. Grosz*, 412 P.3d 733, 739 (Colo. App. 2015) (declaration stated that the “obligations shall be deemed to run with the land”); *Cloud*, 857 P.2d at 440 (agreement stated, “The following . . . covenants . . . shall be deemed to run with the land [and] shall be a benefit and a burden to Declarant” (quotations omitted)); *see also* Elevation Op. 30-31. So have other bankruptcy courts after analyzing similar gas gathering agreements under similar laws in other producing states. *See Badlands*, 608 B.R. at 870; *Alta Mesa*, 613 B.R. at 106.

29. What’s more, the language of the Dedications shows that the parties intended for the *entirety* of the Gathering Agreements to run with the land. Extraction dedicated its underlying property interests [REDACTED]—that means the entire agreement. Broomfield Agr. ¶ 2.1; E. Greeley Agr. ¶ 2.1. And it was this commitment that the parties intended to run with the land. *Id.* ¶ 2.4. Thus, the Dedications are like capsules buried in the dirt containing all the provisions of the Gathering Agreements. It would make no sense for the Dedications alone to run with the land, because Extraction’s commitment of its mineral interests would mean nothing without the gathering agreements necessary to develop the minerals. And the text of the Dedications shows the parties never intended such a result.¹² The Court’s decisions to disregard similar language in the Adversary Opinions (Elevation Op. 5-7; Grand Mesa Op. 7-8) fail to give effect to all the words the parties chose. *See, e.g., U.S. Fid. & Guar. Co. v. Budget*

¹² *See also Lookout Mountain*, 867 P.2d at 75 (“It is not the right of approval, in isolation, which is intended to run with the land. Rather, it is the *entire* covenant . . . that passes to successive grantees.”).

Rent-A-Car Sys., Inc., 842 P.2d 208, 213 (Colo. 1992) (“Each word in an instrument is to be given meaning if at all possible.”).

30. Even without this broad language, it was improper to analyze the parties’ intent on a covenant-by-covenant basis. *See* Elevation Op. 29-30, 46-48. Colorado courts “do not read individual provisions in isolation when deciding whether a covenant is real or personal; instead, [they] look at the covenant as a whole.” *Reishus*, 409 P.3d at 441. In applying this rule, Colorado courts have held that provisions requiring the payment of money, contract amendment procedures, and pre-approval of building plans ran with the land (along with the rest of the agreement)—even though these provisions would arguably not run with the land standing alone. *See Cloud*, 857 P.2d at 440-441; *Reishus*, 409 P.3d at 441; *Lookout Mountain*, 867 P.2d at 75; *see also* Adv. Pro. No. 20-50839, D.I. 26 ¶ 19. As *Cloud* noted, providing for only part of an integrated contract to run with the land would amount to judicially “cut[ting] and past[ing]” the contract, which a court “cannot do without destroying [the covenant] in its entirety.” 857 P.2d at 441.

31. The Court acknowledged these cases but nevertheless concluded that the midstream parties’ arguments for a similar result were “directly contrary to Colorado law.” Elevation Op. 46-47. That conclusion appeared to be largely based on an unpublished federal court decision that does not confront the principles articulated in *Reishus*, *Cloud*, and *Lookout Mountain*—and cannot, in any event, reflect Colorado law better than these state court opinions. Elevation Op. 47 (citing *MidCities Metro. Dist. No. 1 v. U.S. Bank Nat’l Ass’n*, No. 12-CV-03322, 2013 WL 3200088 (D. Colo. June 24, 2013)).¹³ The Court also cited *Shaffer v. George* for the proposition that an assignee of a lease is responsible for covenants that run with the land. 171 P. 881, 882 (Colo. 1917). *Shaffer*

¹³ The court in *MidCities* held that a covenant reserving certain payments did not run with the land because it was set apart from the other “Restrictions” that the parties expressly intended to burden the land. *See* 2013 WL 3200088, at *3-4, 6-7. There is no such division in the Gathering Agreements, and as explained above, the broad language in Section 2.1 demonstrates that the parties intended the entire agreement to run with the land.

does not undermine the more recent authorities discussed above, which hold that *all* provisions in an integrated contract run with the land. There is no basis under Colorado law for chopping up the Gathering Agreements so that some provisions run with the land and others do not.¹⁴ A piecemeal approach is especially inappropriate here because it would so clearly undermine the parties' intent.

B. The Gathering Agreements touch and concern the land.

32. The Gathering Agreements also touch and concern the land, although the Adversary Opinions indicate that the Court may find otherwise. *See* Elevation Op. 3. Respectfully, the reasoning in those decisions rested on an overly narrow reading of Colorado law and a misunderstanding about the nature and effect of gas gathering agreements like these. Properly construed, the Extraction-RMM Gathering Agreements touch and concern the land.

1. The touch-and-concern test under Colorado law is not nearly so strict as that applied by this Court.

33. To “touch and concern” the land under Colorado law, a covenant “must closely relate to the land, its use, or its enjoyment.” *E.g., Lookout Mountain*, 867 P.2d at 74. While Colorado courts have not elaborated on the outer boundaries of this requirement, it is apparently not a high bar—especially where the parties have explicitly declared their intent to create a covenant running with the land. *See id.* at 74-75. This element has been satisfied where the covenants simply “evidence[d] an intent to maintain a certain character and quality” of the land, to protect the monetary value and “natural beauty” of the property, or to restrict certain activities

¹⁴ The same is true as a matter of bankruptcy law. The decision to reject an integrated contract under Section 365(a) is “an all-or-nothing proposition—either the whole contract is assumed or the entire contract is rejected.” *E.g., In re CellNet Data Sys., Inc.*, 327 F.3d 242, 249 (3d Cir. 2003); *see also In re Exide Techs.*, 340 B.R. 222, 228 (Bankr. D. Del. 2006), *aff’d*, 2008 WL 522516 (D. Del. Feb. 27, 2008) (“A contract will not be bifurcated into parts that will be rejected and those that will not.”). The Court’s covenant-by-covenant analysis is inconsistent with this settled principle (or at least unnecessary), even putting aside the issue addressed *supra*, n.11.

“tied with the use, possession, and enjoyment” of the property. *Id.*; *see Mauldin v. Panella*, 17 P.3d 837, 840 (Colo. App. 2000); *Reishus*, 409 P.3d at 441.

34. In other words, if the performance of the covenant affects the use or value of the real property in any way, it touches and concerns the land. *See id.*; *see also Cloud*, 857 P.2d at 441 (covenant touches and concerns the land where it “would . . . be a benefit or burden to the land”). And the parties’ intent is relevant to these questions, contrary to the Court’s rulings. *Compare* Elevation Op. 29, 55-56, *with Reishus*, 409 P.3d at 441 (considering the parties’ “stated intent” when analyzing whether the agreement touched and concerned the land); *Mauldin*, 17 P.3d at 840 (similar); *Lookout Mountain*, 867 P.2d at 75 (considering “the covenants’ stated purposes”). While intent may not be sufficient to satisfy the touch-and-concern element, courts should consider the parties’ views about whether the covenants were intended to affect the use or the value of the land.

35. In the Adversary Opinions, this Court applied a more demanding touch-and-concern standard than Colorado law requires. It held, for example, that “indirect effect[s]” on the land are not enough and that a covenant cannot touch and concern the land where its “primary effect is on the use and enjoyment of personal property.” Elevation Op. 55. Neither of these propositions finds support in Colorado law. Other than a generalized cite to the “closely relate” language in *Reishus*, the only authority to support these conclusions was a hundred-year-old law review article that has apparently never been cited by any Colorado court. Elevation Op. 55 (citing Harry Bigelow, *The Content of Covenants in Leases*, 12 MICH. L. REV. 639, 652 (1914)).

36. If anything, the Court should have looked to the more recent development of this element in other producing states. *See Alta Mesa*, 613 B.R. at 102 (considering the “logical connection” between the covenant and the real property under Oklahoma law); *Badlands*, 608 B.R. at 867-68 (considering whether “the burdens and benefits . . . relate to the land and the ownership

of an interest in it” under Utah law). In those states, real covenants touch and concern the land where: (i) their benefits and burdens are logically related to the underlying real property interests, and (ii) they increase or decrease the value of the burdened estate. *See Alta Mesa*, 613 B.R. at 103-04; *Badlands*, 608 B.R. at 867-68. Because those standards are very similar to those already reflected in Colorado law,¹⁵ the touch-and-concern analyses of *Alta Mesa* and *Badlands* should have played a more prominent role in this Court’s decisions, leading to a different result.

2. The Dedications burden and affect Extraction’s use and enjoyment of the mineral estate.

37. Regardless, the Gathering Agreements “closely relate” to the use and enjoyment of the land by, among other things, restricting how Extraction can exploit its leasehold (real property) interests in the mineral reserves while also enhancing the value of the property. *Reishus*, 409 P.3d at 441; *Lookout Mountain*, 867 P.2d at 74. This is particularly true of the Dedications. Broomfield Agr. ¶ 2.1; E. Greeley Agr. ¶ 2.1. The Court found otherwise by reasoning that similar dedications “concern only personal property and do not affect the physical use of real property or closely relate to real property.” Elevation Op. 3, 54. RMM submits that this conclusion is incorrect under general oil-and-gas law, as well as the specific agreements and property rights at issue here.

38. On their face, the Dedications in the Extraction-RMM Gathering Agreements concern both real and personal property. Broomfield Agr. ¶ 2.1; E. Greeley Agr. ¶ 2.1. To be sure, these provisions dictate what happens to the gas once it comes out of the ground and becomes personal property, as the Court emphasized in the Adversary Opinions. *See* Elevation Op. 50, 53. But the Dedications go deeper than that—literally—by also pledging all of Extraction’s interests in [REDACTED] the areas defined in the Gathering Agreements

¹⁵ *See, e.g., Lookout Mountain*, 867 P.2d at 75 (considering impacts on property value); *Cloud*, 857 P.2d at 441 (consider whether covenants “would . . . be a benefit or burden to the land”).

to the performance of the Agreements. Broomfield Agr., Ex. A ¶ I(x) (bracketed language added); E. Greeley Agr., Ex. A ¶ I(bb) (bracketed language in original); *see also* Larsen Decl., Ex. A10 (examples of Extraction’s leases).

39. That’s important because Extraction’s oil and gas leases create distinct real property rights and duties regarding the unproduced minerals in the ground. *Maralex Res., Inc., v. Chamberlain*, 320 P.3d 399, 402-03 (Colo. App. 2014) (“[A]n oil and gas lessee has an interest in real property,” *i.e.*, “the mineral estate covered by the leases”); *see also Smith v. El Paso Gold Miles, Inc.*, 720 P.2d 608, 609 (Colo. App. 1985) (“[W]hile in place, minerals are real property.”). Extraction dedicated these leasehold interests to the performance of the Gathering Agreements. Broomfield Agr. ¶ 2.1 & Ex. A ¶ I(x); E. Greeley Agr. ¶ 2.1 & Ex. A ¶ I(bb). It thus made a promise that “concerns” real property interests—the leasehold rights and duties—in the mineral estate.

40. Accordingly, it does not matter whether the Dedications effected a transfer or conveyance of Extraction’s real property interests (though they did, as discussed below, in Section I.C.). *Cf.* Elevation Op. 51, 56. On the touch-and-concern element, it only matters that the Dedications ***closely relate*** to Extraction’s real property interests in the unproduced minerals. *See Badlands*, 608 B.R. at 869 (“The question is not *what* is conveyed by the covenant, but viewed in the context of its purpose, does the performance or nonperformance of it affect the use, value or enjoyment of the land itself.”); *see also Lookout Mountain*, 867 P.2d at 75 (architectural review provision “relates to the land, and thus, touches and concerns the land” (internal citations omitted)). Indeed, the Colorado Supreme Court has held that a covenant touched and concerned the land even though its primary purpose was to ensure the continued delivery of water for irrigation—which this Court has characterized as personal property—because that promise was “connected with or concerns the land or estate conveyed.” *See Farmers’ High Line Canal & Reservoir Co. v. N.H.*

Real Estate Co., 92 P. 290, 293 (Colo. 1907); Elevation Op. 53. The result should be the same here because the Dedications are connected with and concern the mineral estate.

41. The Dedications in the Gathering Agreements differ in character from the dedication at issue in *In re Sabine Oil & Gas Corp.*, 567 B.R. 869, 872, 874-77 (S.D.N.Y. 2017). *Cf.* Elevation Op. 52-53. The dedication in *Sabine* covered only: “[gas and condensate] produced and saved from wells . . . located within the Dedicated Area.” *Sabine*, 567 B.R. at 872. Produced gas is personal property under Texas law—so the dedication in *Sabine* concerned only personal property. *Id.* at 875. The Dedications here go further to encompass Extraction’s leasehold rights and duties as to the unproduced minerals—which are real property—making *Sabine*’s holding inapposite. *Maralax*, 320 P.3d at 402-03. The bankruptcy court in *Badlands* distinguished *Sabine* on precisely these grounds, and this Court should do the same. *See Badlands*, 608 B.R. at 869-70 (“The Court does not find the holding in *Sabine Oil* applicable” because “[u]nlike the *Sabine* dedication, the present Dedication encompasses real property”).¹⁶

42. Beyond this direct contractual connection, the Dedications practically effect how Extraction can use or enjoy its real property rights. As an oil and gas lessee, Extraction has the right and duty “to explore for, and remove, minerals from the lessor’s land.” *Maralax*, 320 P.3d at 402 (citing *Garman v. Conoco, Inc.*, 886 P.2d 652, 659 (Colo.1994)). Extraction also has a duty to market (sell) the minerals; the need for this duty “‘is obvious in order that the lessor may receive the consideration for the lease, that is, the royalties which are to be paid.’” *Davis v. Cramer*, 808

¹⁶ Another Texas bankruptcy court recently confirmed the significance of this distinction, even while reaching the same result as in *Sabine*. *In re Chesapeake Energy Corporation*, D.I. 1579, No. 20-33233 (Bankr. S.D. Tex. Oct. 28, 2020). The court in *Chesapeake* found that a gas purchase agreement did not run with the land under Texas law based, in large part, on its conclusion that the dedication applied only to produced gas. *Id.* at 2-3, 7-8. But, the opinion specifically noted: “Had the agreement between the parties included a dedication of ‘all of the Debtors’ right, title and interest in and to the leases,’ the Court’s analysis *might have been profoundly different.*” *Id.* at 8 n.5 (emphasis added). The Dedications at issue here do just that—so the result should be different than *Chesapeake* and *Sabine*.

P.2d 358, 361 (Colo. 1991); *Garman*, 886 P.2d at 659 (“In Colorado we have recognized four implied covenants in oil and gas leases: to drill; to develop after discovery of oil and gas in paying quantities; to operate diligently and prudently; and to protect leased premises against drainage.”).

43. Extraction cannot fulfill those duties as to natural gas—and thus cannot fully exercise its leasehold rights—without a gathering system to transport the gas to market. *See* Larsen Decl. ¶¶ 5-6; *see also* Owens Dep. 28, 97, 142-43. Again, if natural gas is not immediately gathered and transported, it must be “flared” (*i.e.*, burned into the atmosphere) or not produced at all. Larsen Decl. ¶¶ 5-6; *see* Owens Dep. 142-43, 146; *see also* *Garman*, 886 P.2d at 654. Extraction’s goal is always to “produce, not flare,” and Extraction has conceded that it “do[es] not produce from leases without midstream infrastructure.” Owens Dep. 142, 146. In the Dedications, Extraction gave RMM the exclusive right to provide these necessary midstream services for wells in the relevant areas. Broomfield Agr. ¶ 2.1; E. Greeley Agr. ¶ 2.1. These promises unequivocally affect Extraction’s use and enjoyment of its leasehold rights—because it cannot develop the mineral estate apart from RMM’s services. *Gerrity Oil & Gas Corp. v. Magness*, 946 P.2d 913, 926 (Colo. 1997) (“Severed mineral rights lack value unless they can be developed.”).

44. These facts undermine the Court’s earlier conclusion that a dedication like this “do[es] not limit Extraction’s right to the use or enjoyment of its mineral estates.” Elevation Op. 54. That is exactly what it does, by providing Extraction ***only one option*** for developing the minerals in a geographic area and thus restricting the use of its reserves.¹⁷ It is no answer to suggest that Extraction could choose not to produce gas. *See* Elevation Op. 65-66. For one thing, that decision would likely violate Extraction’s duties to develop and market the minerals as an oil and

¹⁷ In this way, a gas gathering agreement is very different than an agreement to transport harvested crops, as Extraction suggests in its Motion (pp. 19-20). Crops can be harvested and stored without any ready-made plan for transportation; natural gas cannot. So, in providing the necessary gathering services to get the gas out of the ground in the first place, the Gathering Agreements affect the use of Extraction’s real property far more than an agreement to transport crops.

gas lessee. *Maralax*, 320 P.3d at 402. But regardless, the decision to stop production would demonstrate that the Dedications had “limit[ed]” Extraction’s use and enjoyment of its real property interests. *Cf.* Elevation Op. 54.

45. These impacts are not just theoretical. As one example: in 2018, RMM enforced its exclusivity rights under the Broomfield Agreement’s Dedication when Extraction wanted to use another midstream provider’s low-pressure gathering services in the DJ Basin’s Hawkeye area. Larsen Decl. ¶ 15. Because Extraction did not want to deploy the necessary capital to connect to RMM’s gathering system, Extraction shut in the wells. *Id.* In other words, Extraction made a purposeful decision to stop developing and marketing the relevant mineral interests. The Dedication affected Extraction’s use and enjoyment of its real property rights.

46. For this and other reasons, bankruptcy courts have correctly acknowledged that dedications of leases and mineral reserves limit a producer’s use of real property. The court in *Badlands* held that the burdens imposed on the producer “directly affect[ed] the Producers’ use and enjoyment of its interests” in the land by limiting its “right to possess, develop, and dispose of the minerals” apart from the gathering agreement. 608 B.R. at 868, 870. The court in *Alta Mesa* agreed and rejected the producer’s argument that gathering services do not technically commence until the gas becomes personal property: “Although [the gathering company’s] right to delivery is conditioned upon extraction, its interest affects the reserves even as the hydrocarbons remain undisturbed” by, among other things, “restrict[ing] Alta Mesa’s use of its reserves.” *Alta Mesa*, 613 B.R. at 104-105. The same principles apply here.

47. As if there were any doubt, Extraction expressly [REDACTED]

[REDACTED]

[REDACTED]

Broomfield Agr. ¶ 2.4; E. Greeley Agr. ¶ 2.4 (bracketed language in original). Colorado courts, as noted above, consider whether the parties intended their agreements to affect the use and enjoyment of real property. *Reishus*, 409 P.3d at 441; *Mauldin*, 17 P.3d at 840; *Lookout Mountain*, 867 P.2d at 75. Because Extraction and RMM expressed exactly that intent, the Court should conclude that the Gathering Agreements touch and concern the land. *Cf.* Elevation Op. 55-57.

3. The Gathering Agreements increase the value of the mineral estate by requiring a gathering system on the land.

48. The Gathering Agreements touch and concern the land for other reasons as well. For one thing, the Agreements—and their associated gathering systems—increased the value of Extraction’s unproduced mineral reserves (the real property in the ground). The Court dismissed this factor by concluding that “an incidental increase in value” is an “indirect effect” on the land that does not satisfy the touch-and-concern test. Elevation Op. 55. But that conclusion cannot be squared with Colorado law, which often considers a covenant’s effect on property value when analyzing whether it touches and concerns the land. *Lookout Mountain*, 867 P.2d at 75; *Mauldin*, 17 P.3d at 840. The Court should have done the same.

49. The bankruptcy court in *Alta Mesa* clearly explained the value proposition presented by gas gathering agreements that call for the construction and operation of a gathering system. *See* 613 B.R. at 103-04. Such a gathering system enhances the value of the unproduced mineral reserves—the real property—by providing the necessary link to the market.

Once a well is linked to an accessible gathering system, the system not only benefits the produced reserves as they travel towards collection, it enhances the value of unproduced reserves which may be extracted in the future. Just as a home without access to a road is less valuable than one facing the street, a solitary oil and gas lease is less valuable than one attached to a gathering grid.

Id. at 103-04. The same can be said here. The Gathering Agreements benefit Extraction’s real property interests—not just the produced gas—by providing for the construction and operation of

a modern gathering system with sufficient capacity. *See* Background Section A, *supra*; Dep. Ex. 17. This benefits the physical use of Extraction’s real property by allowing it to develop the mineral estate and increases the value of the unproduced reserves. *See Lookout Mountain*, 867 P.2d at 75 (covenant was designed to protect the value of the real property and “insure the highest and best development of said property”).

50. The Gathering Agreements also literally touch and concern the land because they caused RMM to construct and maintain physical facilities on the land. *See* Broomfield Agr. ¶ 3.1; E. Greeley Agr. ¶ 3.1. To that end, and as discussed below, Extraction granted RMM easements and surface-use rights to allow for the operation of the gathering systems. Broomfield Agr., Ex. A ¶ XVI(d); E. Greeley Agr., Ex. A ¶ XVI(d). These easements burden Extraction’s real property interests arising from its leases, and therefore touch and concern the land. *Alta Mesa*, 613 B.R. at 104; *see also In re Energytec, Inc.*, 739 F.3d 215, 224-25 (5th Cir. 2013); *Sw. Pipe Line Co. v. Empire Nat. Gas Co.*, 33 F.2d 248, 252-53 (8th Cir. 1929).

51. The Court rejected a similar argument in the Adversary Opinions, concluding that easements like these are surface interests unconnected to the mineral estate. *See* Elevation Op. 66-68. Given the unique nature of oil and gas leases, that conclusion is incorrect. As the court in *Alta Mesa* explained, when an easement is connected to a leasehold, its transfer “directly affect[s] the lessee’s underlying mineral interest” because “in the context of an oil and gas lease, the surface easement is integral to the lessee’s ability to realize the value of its mineral reserves.” 613 B.R. at 104. Colorado law is no different. *See, e.g., Heath v. Parker*, 30 P.3d 746, 750 (Colo. App. 2000) (“[R]easonable surface use, including access, is part of the ‘bundle of sticks’ of mineral claim property rights.”); *see also Notch Mountain Corp. v. Elliott*, 898 P.2d 550, 556 (Colo. 1995) (“Though the estates are distinct, severed minerals cannot be developed absent access to the

surface estate.”). In this context, an easement in a gas gathering agreement reduces (and certainly affects) the producer’s “real property interest under the leases.” *Alta Mesa*, 613 B.R. at 104.

52. Finally, the Gathering Agreements burden the property with the requirement to pay fixed fees for RMM’s gathering services. Broomfield Agr. ¶ 4.2; E. Greeley Agr. ¶ 4.2. Such fees diminish the value of Extraction’s reserves and affect its use of the land, as described above—because Extraction cannot develop its mineral estate without using RMM’s services and paying its fees. *Alta Mesa*, 613 B.R. at 104-05; *Energystec*, 739 F.3d at 224. While the Court has found that the “mere payment of money is a personal commitment that . . . does not run with the land,” this finding overlooks Colorado law. Elevation Op. 64. *Cloud*, for example, held that an agreement to pay 10% of gross receipts from a condominium complex touched and concerned the land because the agreement as a whole benefitted and burdened the land. 857 P.2d at 440-41.

53. For all these reasons, the Gathering Agreements closely relate to the use, value, and enjoyment of the underlying mineral interests. They therefore touch and concern the land.

C. Privity is satisfied here, although Colorado law does not require privity for covenants to run with the land.

54. The Court has found that privity of estate is also required to establish a covenant running with the land under Colorado law. Elevation Op. 32-33. RMM respectfully submits that conclusion is erroneous for the reasons discussed below, but regardless, any privity requirement can be met here: because Extraction conveyed property rights to RMM from its leasehold estate.

1. Any privity requirement has fallen out of Colorado law.

55. It’s been sixty years since the Colorado Supreme Court even mentioned privity as part of the covenant-running-with-the-land analysis. See *Taylor v. Melton*, 274 P.2d 977, 982 (Colo. 1954). In *Taylor*, the court neither affirmed nor addressed whether privity was required, but simply brushed aside the defendants’ contention that privity was absent among homeowners in a

subdivision who had all received their lots from the same developer. *See id.* And just a year later, in another case concerning real covenants in development plans, the Colorado Supreme Court did not discuss privity at all. *See Pagel v. Gisi*, 286 P.2d 636, 637-38 (Colo. 1955).

56. To find any substantive discussion of privity, one must venture back more than a century. In 1907, the Colorado Supreme Court considered a contract about taking water from an irrigation ditch. *See Farmers' High Line*, 92 P. at 291-92. Certain landowners had a real covenant to receive “so much water as may in fact be necessary and proper to amply irrigate all the lands under said ditch.” *Id.* at 292. The ditch changed hands, water was withheld, and the landowners sued the successors in interest to the original ditch holder. *Id.* The Colorado Supreme Court held that the covenant to provide water ran with the land because (among other reasons): “There was, and is, and always will be, privity of estate between the owner or owners of the [ditch] and the owner or owners of the land.” *Id.* at 293. The Court did not articulate any discernable standard.

57. In the hundred years since, the Colorado Courts of Appeals have not required a privity showing, with the federal courts following suit.¹⁸ So, one of two things must be true: either all these courts have misapplied Colorado law for decades without correction from the Colorado Supreme Court, or the privity requirement has dropped out of Colorado law. Because it's unlikely that so many courts would make the same error, RMM respectfully submits that Colorado law simply does not require privity. This approach would comport with the modern trend. *See* RESTATEMENT (THIRD) OF PROPERTY: SERVITUDES § 2.4 (2000) (“No privity relationship between

¹⁸ *See Reishus*, 409 P.3d at 440 (Colorado law requires only the intent and touch-and-concern elements); *Lookout Mountain*, 867 P.2d at 74 (same); *Cloud*, 857 P.2d at 440 (same); *see also TBI Expl. v. Belco Energy Corp.*, 220 F.3d 586, at *4, (5th Cir. 2000) (same); *MidCities Metro.*, 2013 WL 3200088, at *3 (same); *In re Banning Lewis Ranch Co., LLC*, 532 B.R. 335, 345 n.11 (Bankr. D. Colo. 2015) (same); *cf. Fed. Deposit Ins. Corp. v. Mars*, 821 P.2d 826, 829 (Colo. App. 1991) (involving leases, not covenants running with land).

the parties is necessary to create a servitude.”).¹⁹ And Colorado courts have often turned to the Third Restatement for other points of property law. *See, e.g., Lazy Dog Ranch v. Telluray Ranch Corp.*, 965 P.2d 1229, 1235 (Colo. 1998); *City of Steamboat Springs v. Johnson*, 252 P.3d 1142, 1147 (Colo. App. 2010); *Lobato v. Taylor*, 71 P.3d 938, 950 (Colo. 2002). Privity should be no different.

58. This Court has found otherwise, relying on *Taylor*, *Farmers’ High Line*, and other case law from the late 19th century. Elevation Op. 32-33, 37; Motion at 21-22. The Court has also pointed to commentators that cite *Taylor* and *Farmers’ High Line*, but this commentary can be no more probative on Colorado law than those cases. *See id.* Finally, this Court cited to a statutory provision that does nothing more than shortcut the covenant running with the land analysis for certain kinds of conveyances. Elevation Op. 33 (citing COLO. REV. STAT. § 38-30-121). It does not somehow impose a privity requirement under the common law.

2. Privity is satisfied, in any event.

59. Even assuming that Colorado law requires privity, any such requirement can be met here. One practical problem: because Colorado cases do not clearly require privity to create a covenant running with the land, they certainly do not explain what the relevant standard might be. The common law recognized three forms of privity: mutual, horizontal, and vertical. 9 POWELL ON REAL PROPERTY § 60.04[3][c][i]. State laws differ as to which—if any—are required to create a covenant running with the land. *Id.* § 60.04 [3][c][i-v]. This Court has concluded that Colorado requires horizontal privity. Elevation Op. 37. That is incorrect, but satisfied in any event.

¹⁹ *See also 165 Broadway Bldg. v. City Inv. Co.*, 120 F.2d 813, 816-17 (2d Cir. 1941) (Clark, J.) (“But to go further and require that there must be some such succession between the covenanting parties themselves—that there must have been a grant or conveyance between them at the same time of the covenant or possibly some continuing interest of tenure, easement, otherwise—is supported neither by ancient law nor by modern policy.”); 7 THOMPSON ON REAL PROPERTY § 61.04 (2020) (“A number of jurisdictions have completely abolished horizontal privity as a condition necessary to the enforceability of real covenants.”).

a. Vertical privity

60. If Colorado law requires privity at all, it requires only vertical privity. Vertical privity “arises when the person presently claiming the benefit, or being subjected to the burden, is a successor to the estate of the original person so benefited or burdened.” See 9 POWELL ON REAL PROPERTY § 60.04[3][c][iv]. In *Farmers’ High Line*, vertical, horizontal, and mutual privity were arguably present—and the court did not say which was necessary. See 92 P. at 293.²⁰ In *Hottel v. Farmers’ Protective Ass’n*, 53 P. 327, 330 (Colo. 1898), the court stated that the defendants did not challenge privity, without hinting at the standard. *Fisk v. Cathcart* concerned vertical privity because a foreclosure had extinguished the covenant before the subsequent party acquired the property. See 33 P. 1004, 1005 (Colo. App. 1893). And in *Taylor*, the court narrowly recited a rule allowing lot owners in a planned subdivision to stand in the developer’s shoes to enforce covenants against neighboring lot owners. See 274 P.2d at 288-89. This sounds, again, in vertical privity. None of the cases that Extraction cites articulate a horizontal-privity requirement.

61. Vertical privity can be easily shown here. Extraction and RMM are the original contracting parties, and that by definition meets what vertical privity demands. *Alta Mesa*, 613 B.R. at 105 (finding vertical privity met because “Alta Mesa and Kingfisher are the original covenanting parties”). The Court need not go further.

b. Horizontal privity

62. But horizontal privity is present here too. In adopting that standard, the Court articulated a new rule for Colorado: “Privity of estate requires that any covenant that allegedly

²⁰ While Powell cites *Farmers’ High Line* for the proposition that some states require mutual privity, the parenthetical in Powell’s citation to that decision is telling: “mutual and horizontal privity both present; *type required not defined*.” 9 POWELL ON REAL PROPERTY § 60.04[3][c][ii] n.123 (emphasis added).

runs with the land be accompanied by a contemporaneous conveyance of some interest in the land with which the covenant runs.” Elevation Op. 37. Even if this were the test, it has been met here.

63. It is critical to be precise here about the “interest in the land” Extraction had to convey. As described above, Extraction holds real property interests in the mineral estate through oil and gas leases. Owens Dep. 245; *see also* Larsen Decl. ¶¶ 8-12 & Ex. A10. Those leases grant Extraction important rights and duties, including “to drill,” “to develop after discovery of oil and gas in paying quantities,” and “to operate diligently and prudently.” *Rogers v. Westermann Farm Co.*, 29 P.3d 887, 903 (Colo. 2001) (quotation omitted); *see also* *Maralex*, 320 P.3d at 403.

64. The right to develop allows a lessee to get discovered minerals out of the ground and to the market. *See Gerrity*, 946 P.2d at 926.²¹ This right typically cannot be exercised without surface access. So, Colorado law provides lessees the implied right to “access the surface and use that portion of the surface estate that is reasonably necessary to develop the severed mineral interest.” *Id.* Extraction also has an implied duty to “market” the gas, which derives from the duty to prudently operate. *Davis*, 808 P.2d at 361. Under this duty, Extraction must bear the necessary costs and “exercise reasonable diligence” in getting the gas in an appropriate condition and location for sale. *Rogers*, 29 P.3d at 902-03, 906.

65. Horizontal privity must be considered with these principles in mind, because the covenants at issue attach to Extraction’s leaseholds. The question for privity, then, is whether Extraction conveyed property interests to RMM out of its leasehold estates. It did, in two ways. First, Extraction conveyed easements and rights of way out of its surface-use rights. Second, it conveyed Dedications that burden its rights to develop and market.

²¹ *See also Whitham Farms, LLC v. City of Longmont*, 97 P.3d 135, 137 (Colo. App. 2003) (“The covenant of reasonable development protects the lessor’s expectation that upon finding exploitable resources, the lessee will develop those resources for the mutual profit of both parties.”).

Easements & Rights of Way

66. Extraction agreed in both Gathering Agreements [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Broomfield Agr., Ex. A ¶ XVI(d); E. Greeley Agr., Ex. A ¶ XVI(d). These are property rights. *Dep't of Transp. v. Gypsum Ranch Co., LLC*, 244 P.3d 127, 132 (Colo. 2010) (describing a right-of-way as “a limited property right”); *Wright v. Horse Creek Ranches*, 697 P.2d 384, 387 (Colo. 1985) (“An easement is an interest in property.”). Extraction also gave RMM other easements and rights-of-way. Larsen Decl. ¶ 17 & Exs. A7-A8.

67. Through these conveyances, Extraction gave RMM a piece of its implied (and sometimes express) leasehold rights to use the surface estate as reasonably necessary to develop and market the mineral interests—real property interests tied to Extraction’s leaseholds. *See Gerrity*, 946 P.2d at 926; *Maralex*, 320 P.3d at 403. This satisfies horizontal privity, as other bankruptcy courts have held. In *Alta Mesa*, the producer gave an easement “to construct and maintain the gathering system,” and this easement sprung “directly from its leasehold mineral estate.” 613 B.R. at 106. “Because a surface easement is a crucial component on an oil and gas lease,” the court reasoned, this conveyance created more than “privity only with respect to the surface estate.” *Id.* “Instead, it supports a finding that the covenants were created alongside the conveyance of a property interest in [the producer’s] leasehold estate.” *Id.* *Badlands* also found that easements granted out of a leasehold satisfied horizontal privity. *See Badlands*, 608 B.R. at 874. *Sabine* is specifically distinguishable on this point. There, the producer had a fee mineral estate—not oil and gas leaseholds—and the agreement creating the real property covenants merely

contemplated the granting of easements. *See In re Sabine Oil & Gas Corp.*, 550 B.R. 59, 69 (Bankr. S.D.N.Y. 2016), *aff'd*, 567 B.R. 869 (S.D.N.Y. 2017), *aff'd*, 734 F. App'x 64 (2d Cir. 2018).

68. Despite these holdings, Extraction says (and this Court agreed) that surface-use rights arising from oil and gas leases are not property rights. Elevation Op. 39-40. But Extraction has admitted that surface-use rights are easements appurtenant—which are property rights. *See Lobato*, 71 P.3d at 945 (“An easement appurtenant . . . runs with the land” and “is meant to benefit the property”); Motion at 23. If this were not enough, the Colorado Supreme Court has opined that a surface-use right from an oil and gas lease “is in the nature of an implied easement,” because it “entitles the holder to a limited right to use the land.” *Gerrity Oil*, 946 P.2d at 927. It has further held that implied easements may be appurtenant easements (burdening the land), noting that Colorado law applies a “presumption in favor of appurtenant easements.” *See Lobato*, 71 P.3d at 945; *see also Lewitz v. Porath Family Tr.*, 36 P.3d 120, 122 (Colo. App. 2001) (“[T]he default presumption is that an easement appurtenant has been created.”). Thus, Colorado law supports that surface-use rights (implied easements) arising from oil and gas leases are property rights.

69. This Court also found that easements appurtenant cannot be conveyed separately from burdened land. Elevation Op. 39. But Extraction has not sought to convey the entirety of its surface-use rights to RMM. Instead, it simply granted easements and rights-of-way *out of* its surface-use right to facilitate gathering and processing services.²² Colorado law does not require any conveyance of underlying property to create an easement appurtenant or a right of way. *See, e.g., Precious Offerings Min. Exch., Inc. v. McLain*, 194 P.3d 455, 457-58 (Colo. App. 2008) (“An

²²

[REDACTED]; *see Lazy Dog Ranch*, 965 P.2d at 1235 (“The extent of an expressly created easement (i.e., the limits of the privileges of use authorized by the easement) is determined by interpreting the conveyance instrument.”).

easement is created if the owner of the servient estate enters into a contract or makes a conveyance . . . with the intent to create a servitude.”). Extraction’s leaseholds in the mineral estate, which are “equally” dominant with the surface estate, continue to exist—as do the easements that Extraction conveyed. *See Gerrity Oil*, 946 P.2d at 927 n.8; *Brush Creek Airport, L.L.C. v. Avion Park, L.L.C.*, 57 P.3d 738, 748 (Colo. App. 2002) (“[W]here the easement is necessary to the enjoyment of the leasehold interest, then extinguishment will not occur during the period of the lease.”).

70. Because Extraction conveyed these crucial property interests to RMM from the oil and gas leaseholds that the covenants running with the land attach to, horizontal privity is satisfied.

Dedications

71. Even beyond the easements, the Dedications themselves conveyed interests to RMM that directly burden Extraction’s rights/duties to develop and to market the gas—and therefore satisfy horizontal privity as well. [REDACTED]

[REDACTED] This right predetermines the paths that the Committed Gas must take to reach market, and in that fashion places a limitation on Extraction’s leasehold interests. And it is binding on Extraction’s successors and assigns. Broomfield Agr. ¶¶ 2.3, 2.4 & Ex. A ¶ XIII; E. Greeley Agr. ¶¶ 2.3, 2.4 & Ex. A ¶ XIII. Because Extraction conveyed this leasehold interest in connection with the creation of the real property covenants in the Dedications, the Court’s horizontal-privity standard has been satisfied. *See Badlands*, 608 B.R. at 873-74.

72. Extraction says the Dedications do not convey interests in property because they “only identify *what* minerals, from *which* property, are subject to the contract,” and this Court agreed. Motion at 25; Elevation 41. But this conflates the *services* provided under the Gathering Agreements with RMM’s *right* to be the exclusive provider as to specified gas both currently

producing and which may be produced from the land in the future. This right, by design, attaches to the unproduced and produced gas itself; it was a conveyance of one stick from the bundle of Extraction's oil and gas leaseholds, as discussed above. [REDACTED]

[REDACTED]. The Dedications do much more than simply identify minerals; they predetermine the route of the gas no matter who produces it from the ground. In any event, the Dedications burdened Extraction's rights and duties to develop and market the gas, which alone satisfies horizontal privity. *See Alta Mesa*, 613 B.R. at 105.

73. Both Extraction and the Court touched on the notion that RMM does not have a right to drill wells out on the leaseholds. That may be true. RMM does, however, have the right to

[REDACTED] Broomfield Agr. Ex. A ¶ XVI(d); E. Greeley Agr. Ex. A ¶ XVI(d). RMM has these rights to help fulfill Extraction's duties to develop and market the gas—both obligations central to oil and gas leases. The contemporaneous conveyance of these easements, rights of way, and dedications out of the leaseholds establish horizontal privity.

CONCLUSION AND PRAYER

74. RMM respectfully requests that the Court deny Extraction's Motion in full and grant RMM any further relief that is just and equitable.

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**ATTORNEYS FOR ROCKY MOUNTAIN
MIDSTREAM LLC**

Exhibit A

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

In re:)	Chapter 11
)	
EXTRACTION OIL & GAS., <i>et al.</i> , ¹)	Case No. 20-11548 (CSS)
)	
Debtors.)	(Jointly Administered)
)	
<hr style="border: 0.5px solid black;"/>		
EXTRACTION OIL & GAS, INC.,)	
)	
Plaintiff,)	
)	
vs.)	
)	
ROCKY MOUNTAIN MIDSTREAM LLC,)	Adv. Pro. No. 20-50840 (CSS)
)	
Defendant.)	
)	
<hr style="border: 0.5px solid black;"/>		

DECLARATION OF LARRY LARSEN

1. My name is Larry Larsen. My business address is One Williams Center, WRC3, Tulsa, Oklahoma 74172. I am over twenty-one years of age, have never been convicted of a felony or other crime involving moral turpitude, and suffer from no mental or physical disability that would render me incompetent to make this declaration.

2. I swear that the facts stated in this declaration are true and correct and are within my personal knowledge, or that they are known to me through my duties and responsibilities and with respect to business records for which I am a custodian.

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) (collectively, the "Debtors"). The location of the Debtors' principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.

3. Since August 2018, I have been a Vice President and General Manager of Rocky Mountain Midstream LLC ("RMM"), which is a joint venture between Williams Rocky Mountain Midstream Holdings LLC (a subsidiary of The Williams Companies, Inc.) and KKR Ascent Aggregator L.P. My job responsibilities are to oversee all commercial, operational, and other activities of RMM—including most contract negotiations—in the Denver-Julesburg ("DJ") Basin of Colorado. Prior to that, I served as Vice President of Central Services and General Manager for other regions of the United States in which Williams or its subsidiaries conduct business. I have also worked for Williams as a deal originator. Overall, I have over twenty-one years of work experience in the midstream sector of the oil and gas industry. And when I took over as Vice President and General Manager of RMM, I familiarized myself with the history and activities of RMM's predecessor—Discovery DJ Services LLC ("Discovery")—in the DJ Basin.

4. Attached hereto as Exhibits A1-A8, and incorporated herein by reference, are documents that are part of the records kept in the ordinary course of RMM's business. Such records are made and/or kept by representatives of RMM, who have knowledge of the information contained in the records at the time they are generated or catalogued. These records are kept by RMM in the course of its regularly conducted business, and it was the regular course of business for an employee or representative of RMM with knowledge of the act, event, condition, or opinion reported to make the record or to transmit information thereof to be included in such record. Exhibits A1-A8 were made at or near the time of the acts, events, conditions, or opinions set forth therein, or reasonably soon thereafter. Exhibits A1-A8 are true and correct copies of the original documents kept in RMM's files.

5. Unlike crude oil, natural gas cannot be stored or trucked away from a wellsite after it has been produced. Rather, gas must be immediately "gathered," or transported, from each

individual wellhead through a network of pipelines known as a gathering system to a processing plant. As the gas moves through the gathering system, the gas undergoes compression (to adjust pressure), dehydration (to remove water), and treatment (to remove contaminants). If a well is not connected to a gathering system, the natural gas produced from that well must be “flared” (*i.e.*, burned into the atmosphere and wasted) subject to regulatory requirements and limitations. Thus, natural gas is worthless without access to gathering and processing infrastructure. Moreover, my understanding and industry experience is that regulatory authorities in Colorado—both at the state and municipal levels—heavily restrict producers’ ability to flare gas. This means that, without gathering and processing services, producers cannot develop their oil and gas leases.

6. The natural gas produced by Extraction within the Broomfield and East Greeley Agreements’ dedicated areas must be gathered and processed by RMM before becoming marketable (*i.e.*, an industry term used to describe gas in an appropriate physical condition and at a location where it is available for sale in a commercial marketplace). Gas moves from identified “Delivery Points” through RMM’s gathering systems to one of two RMM processing plants: Ft. Lupton or Keenesburg. Processing involves the separation and recovery of natural gas liquids, such as butane and propane, from a stream of produced natural gas. Each individual component can then be sold for more value. After processing, the residue gas and natural gas liquids are transported further downstream through larger pipelines to other market centers or end users. The attached Exhibit A1 contains true and accurate photographs of RMM’s Ft. Lupton and Keenesburg processing plants.

7. Instead of investing capital into expensive gathering systems and processing facilities to perform these necessary services, producers (like Extraction) typically contract with “midstream” companies, such as RMM, to build and operate gathering and processing

infrastructure. Through this arrangement, the producer frees up capital to engage in more development of its oil and gas leasehold acreage.

8. In 2017, Extraction was trying to acquire consolidated leasehold interests in the DJ Basin to drill many new horizontal wells. But I understand that Extraction had concerns about an existing midstream provider in the area, Western Midstream Partners (“Western”). Specifically, Western lacked sufficient infrastructure to service all the wells that Extraction had planned to develop in Broomfield and surrounding counties, and Western was curtailing the flow of volumes on its system. Moreover, Western was at the time an affiliate of Anadarko Petroleum Corp., one of the largest oil and gas exploration companies operating in the DJ Basin. It is my understanding that, as Western’s affiliate, Anadarko enjoyed higher priority service than any other producer utilizing that system and therefore its production volumes took precedence over all others.

9. Around that same time, RMM’s predecessor—Discovery—was attempting to expand its gas gathering and processing business in the DJ Basin. Discovery agreed to provide gathering services for some of Extraction’s wells in Adams and Weld Counties, Colorado under a gas gathering agreement that is not at issue. This led to an expanded business relationship and ultimately the Broomfield Agreement.

10. In March 2018, Discovery entered the Broomfield Agreement with Extraction to build new and expanded infrastructure in Adams, Arapahoe, Broomfield, and Weld Counties to support Extraction’s development plan. Attached as Exhibit A2 is a true and correct copy of the March 6, 2018 “Gas Gathering, Processing and Purchase Agreement.” [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The graph below reflects Extraction's volume forecasts as of October 2018 for its leaseholds within the Broomfield dedicated area, [REDACTED]

[REDACTED]

[REDACTED]

11. In August 2018, Discovery and its subsidiaries were acquired by a joint venture between Williams Rocky Mountain Midstream Holdings LLC and KKR Ascent Aggregator L.P. Discovery's name was changed to RMM in August 2018, and a notice of this was provided to Extraction. Attached as Exhibit A3 is a true and correct copy of a "Plant Product Take-in-Kind Right Amendment to Gas Gathering, Processing and Purchase Agreements," which replaced

Discovery with RMM in the parties' existing gathering and processing agreements, among other things.

12. After the acquisition, in February 2019, RMM entered into the East Greeley Agreement with Extraction. Attached as Exhibit A4 is a true and correct copy of the February 8, 2019 "Gas Gathering, Processing and Purchase Agreement." Under this Agreement, RMM agreed to provide gathering and processing services for an area in Weld County, Colorado, [REDACTED]

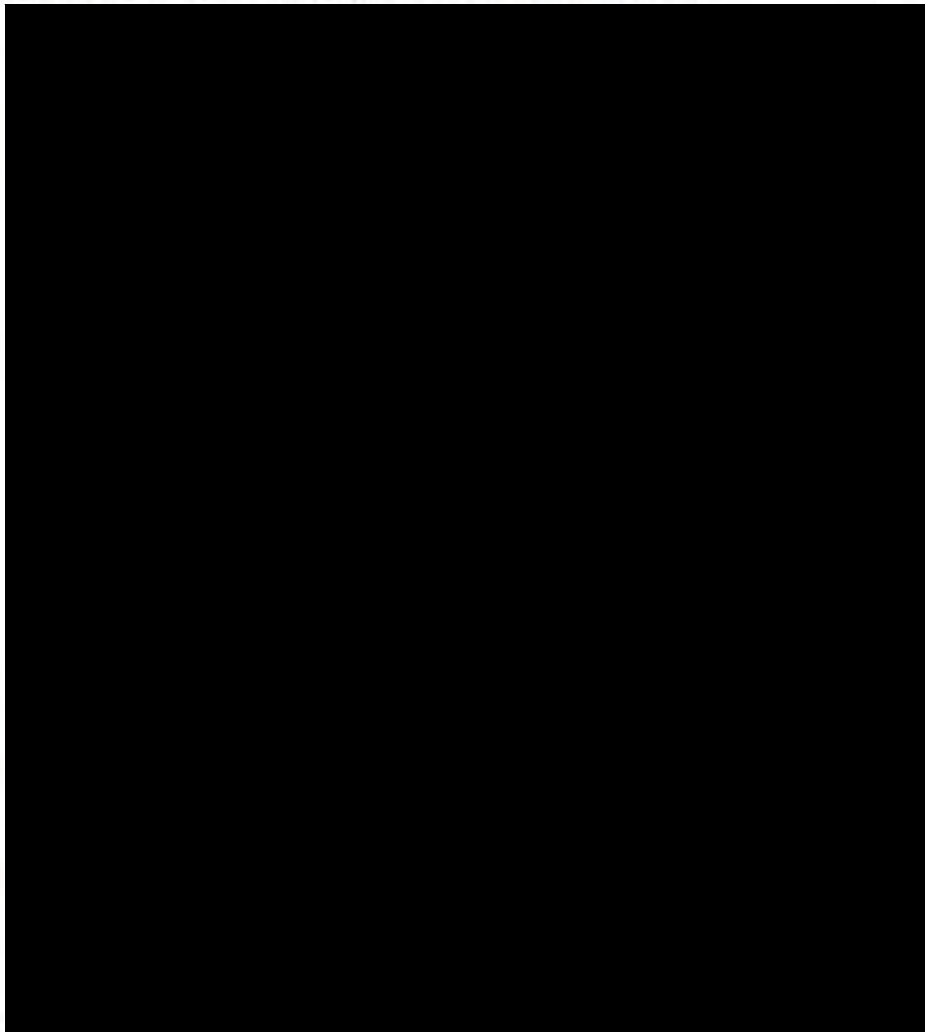
[REDACTED]

[REDACTED]

Extraction entered this Agreement specifically because RMM was willing to expand gathering and processing infrastructure to meet Extraction's development plans at a time when DCP Midstream Partners, another midstream provider in the East Greeley area, was significantly curtailing the flow of volumes on its system and negatively impacting Extraction's ability to develop this acreage. An expedited build out of infrastructure under the East Greeley Agreement was critical for Extraction, as it is my understanding that its state and municipal permits were expiring (if drilling did not begin by the expiration dates), and the regulatory environment was such that they likely would not be re-issued. Producers like Extraction cannot develop their leaseholds without these essential permits.

13. Since August 2018, RMM has invested hundreds of millions of dollars under the Broomfield and East Greeley Agreements to own, operate, and maintain the extensive gas gathering and processing infrastructure that provides Extraction an essential link in the marketing chain between Extraction's production at the wellhead and downstream markets. Attached as Exhibit A5 is a true and correct copy of a capital-expenditure spreadsheet showing the amounts that RMM has invested to provide such gathering and processing infrastructure and services for

the benefit of Extraction's oil and gas leaseholds. Below is a true and correct copy of a map showing RMM's gathering and processing infrastructure in the DJ Basin.



14. The Broomfield and East Greeley Agreements contain Dedications of Extraction's ownership interests in land, leases, gas, and wells to the performance of those Agreements. These Dedications exist to ensure that Extraction uses RMM's midstream services in designated areas of interest where RMM has built gathering and processing infrastructure. In other words, Extraction made a promise to use RMM's gathering and processing services—and to pay the associated fees—for all the natural gas produced from its wells in the designated areas, providing assurance that the investments would see continued and hopefully expanded use. Throughout my career, I have negotiated many gas gathering and processing agreements and amendments to them.

Dedications like these are very common in gas gathering and processing agreements. Midstream companies, RMM included, act in reliance on dedications as part of the consideration to construct sophisticated (and costly) gathering and processing systems.

15. The Dedications have real-world consequences. In 2018, for example, RMM enforced its exclusivity rights under the Broomfield Agreement's Dedication when Extraction sought to use another midstream provider's low-pressure gathering services in the Hawkeye area of the DJ Basin rather than incur the capital costs of installing additional compression stations to deliver the gas to RMM. Because Extraction did not want to deploy this capital, and because the Dedication precluded Extraction from flowing gas through the other midstream provider, Extraction at that point shut-in the wells.

16. RMM has the right to, and generally does, purchase certain residue gas and natural gas liquids from Extraction. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] RMM has purchased hydrocarbons from Extraction in each month since the inception of the Broomfield and East Greeley Agreements. The attached Exhibit A6 contains true and correct copies of invoices illustrating RMM's purchases of residue gas and natural gas liquids from Extraction.

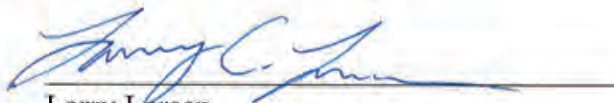
17. In the Broomfield and East Greeley Agreements, Extraction conveyed RMM the necessary easements and rights-of-way to build, maintain, and operate gathering infrastructure contemporaneously with those Agreements' execution. Extraction has also conveyed other, independent easements and rights-of-way to RMM. Some of these conveyances were made by Elevation Midstream, LLC (at the time a subsidiary of Extraction) on Extraction's direction.

Attached as Exhibit A7 is a true and correct copy of information from a spreadsheet documenting property rights and interests conveyed to RMM by Extraction or Elevation, while Exhibit A8 contains true and correct copies of examples of the specific property rights and interests that Extraction or Elevation conveyed.

18. The attached Exhibit A9 contains true and correct copies of additional documents that I understand Extraction to have produced in the context of this litigation, which have appropriate Bates labels. The attached Exhibit A10 contains true and correct copies of lease agreements that I understand Extraction to have produced in the context of this litigation, which also have appropriate Bates labels.

19. I declare under penalty of perjury that the foregoing is true and correct.

Executed in Tulsa, Oklahoma, on the 20th day of November 2020.



Larry Larsen
Vice President and General Manager
Rocky Mountain Midstream LLC

Exhibit A1





Exhibit A2

Exhibit A2 has been redacted in its entirety

Exhibit A3

Exhibit A3 has been redacted in its entirety

Exhibit A4

Exhibit A4 has been redacted in its entirety

Exhibit A5

Exhibit A5 has been redacted in its entirety

Exhibit A6

Exhibit A6 has been redacted in its entirety

Exhibit A7

Project Name	Work Order	Tract Number	Tract ID	Alias Tr Num	Grantor	Grantee	Executed Date	Effective Date	Date Recorded	Agreement Type
Broomfield South	WOC1211155	0015.000	11900841	CO-WE-017	ELEVATION MIDSTREAM LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018	10/5/2018	Memorandum of ROW Agreement
Broomfield South	WOC1211155	0015.000	11900841	CO-WE-017	ELEVATION MIDSTREAM LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018		ROW Agreement
Broomfield South	WOC1211155	0017.000	11900845	CO-WE-019 (RE-ENTRY)	ELEVATION MIDSTREAM LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018	10/5/2018	Memorandum of ROW Agreement
Broomfield South	WOC1211155	0017.000	11900845	CO-WE-019 (RE-ENTRY)	ELEVATION MIDSTREAM LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018		ROW Agreement
Broomfield North	WOC1211159	0001.000	11926212	CO-WE-001	Elevation Midstream, LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018	10/5/2018	Memorandum of ROW Agreement
Broomfield North	WOC1211159	0001.000	11926212	CO-WE-001	Elevation Midstream, LLC	DISCOVERY DJ SERVICES LLC	9/18/2018	9/18/2018		ROW Agreement
Houltham 12" Gas	WOC1211569	0012.000	12007278	CO-AD-011HOULIHAN	Elevation Midstream, LLC	Rocky Mountain Midstream LLC	11/14/2018	11/14/2018	12/21/2018	Memorandum of ROW Agreement
Houltham 12" Gas	WOC1211569	0012.000	12007278	CO-AD-011HOULIHAN	Elevation Midstream, LLC	Rocky Mountain Midstream LLC	11/14/2018	11/14/2018		ROW Agreement
Watkins 20" Gas	WOC1211172	0001.000	12017295	CO-AD-001WATKINS	Elevation Midstream, LLC	Rocky Mountain Midstream LLC	11/14/2018	11/14/2018	12/21/2018	Memorandum of ROW Agreement
Watkins 20" Gas	WOC1211172	0001.000	12017295	CO-AD-001WATKINS	Elevation Midstream, LLC	Rocky Mountain Midstream LLC	11/14/2018	11/14/2018		ROW Agreement
Wake Connector	No Work Order	0001.000	13012159	XOG-EGTO-001.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0001.100	13012191	XOG-EGTO-001.100	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0002.000	13012195	XOG-EGTO-002.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0003.000	13043096	XOG-EGTO-002.100	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0004.000	13043098	XOG-EGTO-003.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0005.000	13043268	XOG-EGTO-004.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0006.000	13043283	XOG-EGTO-005.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0007.000	13043286	XOG-EGTO-006.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0008.000	13043288	XOG-EGTO-007.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0009.000	13043293	XOG-EGTO-008.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0010.000	13043308	XOG-EGTO-009.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0011.000	13043320	XOG-EGTO-010.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0012.000	13043340	XOG-EGTO-010.500	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0013.000	13043349	XOG-EGTO-011.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0014.000	13043405	XOG-EGTO-012.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0015.000	13043409	XOG-EGTO-013.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0016.000	13043411	XOG-EGTO-014.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0017.000	13043429	XOG-EGTO-015.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0018.000	13043431	XOG-EGTO-016.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0019.000	13043435	XOG-EGTO-018.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0020.000	13043443	XOG-EGTO-019.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0021.000	13044076	XOG-EGTO-020.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0022.000	13044078	XOG-EGTO-021.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0023.000	13044084	XOG-EGTO-022.000	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment
Wake Connector	No Work Order	0024.000	13044214	XOG-EGTO-022.100	Extraction Oil & Gas, Inc.	Rocky Mountain Midstream LLC	10/28/2019	10/16/2019	11/8/2019	Assignment

Recording Document Number	Qtr Section	Section	Township	Range	Tax Map ID	Legal County	Legal State	Recording County	Recording State	Recording Status	Recording ID	Legal ID
4436596	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Recorded	12257668	11918394
	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Intentionally Unrecorded	12257662	11918394
4436596	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Recorded	12257668.10	11918442
	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Intentionally Unrecorded	12257662.10	11918442
4436596	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Recorded	12827261	12826728
	NE4	30	1N	67W	146930000046	Weld	Colorado	Weld	Colorado	Intentionally Unrecorded	12827123	12826728
2018000102023	SW4	34	3S	64W	0181700000149	Adams	Colorado	Adams	Colorado	Recorded	12261552	12304368
	SW4	34	3S	64W	0181700000149	Adams	Colorado	Adams	Colorado	Intentionally Unrecorded	12261549	12304368
2018000102023	SW4	34	3S	64W	0181700000149	Adams	Colorado	Adams	Colorado	Recorded	12261552.10	12604316
	SW4	34	3S	64W	0181700000149	Adams	Colorado	Adams	Colorado	Intentionally Unrecorded	12261549.10	12604316
4539652	SE4	32	6N	65W	080332400004	Weld	Colorado	Weld	Colorado	Recorded	13596197	13051881
4539652								Weld	Colorado	Recorded	13596199	
4539652								Weld	Colorado	Recorded	13596206	
4539652	SE4	32	6N	65W	080332000023	Weld	Colorado	Weld	Colorado	Recorded	13596208	13051943
4539652	SE4	32	6N	65W	080332000068	Weld	Colorado	Weld	Colorado	Recorded	13596215	13052037
4539652								Weld	Colorado	Recorded	13596217	
4539652	W2SW4	33	6N	65W	080333000010	Weld	Colorado	Weld	Colorado	Recorded	13596219	13052058
4539652	SW4	33	6N	65W	080333000002	Weld	Colorado	Weld	Colorado	Recorded	13596226	13052246
4539652	SW4	33	6N	65W	080333000014	Weld	Colorado	Weld	Colorado	Recorded	13596228	13052561
4539652								Weld	Colorado	Recorded	13596235	
4539652	SE4	33	6N	65W	080333000034	Weld	Colorado	Weld	Colorado	Recorded	13596237	13052786
4539652	SE4	33	6N	65W	080333000016	Weld	Colorado	Weld	Colorado	Recorded	13596239	13052925
4539652	SE4	33	6N	65W		Weld	Colorado	Weld	Colorado	Recorded	13596246	13101969
4539652	SE4	33	6N	65W	080333000017	Weld	Colorado	Weld	Colorado	Recorded	13596248	13053762
4539652								Weld	Colorado	Recorded	13596255	
4539652	SW4	34	6N	65W	080334000018	Weld	Colorado	Weld	Colorado	Recorded	13596257	13053045
4539652								Weld	Colorado	Recorded	13596259	
4539652	SW4	34	6N	65W	080334000019	Weld	Colorado	Weld	Colorado	Recorded	13596266	13053948
4539652	NW4	3	5N	65W	096102401012	Weld	Colorado	Weld	Colorado	Recorded	13596268	13054106
4539652	SE4	3	5N	65W	096103000055	Weld	Colorado	Weld	Colorado	Recorded	13596275	13054363
4539652	SE4	3	5N	65W	096103000056	Weld	Colorado	Weld	Colorado	Recorded	13596277	13054382
4539652								Weld	Colorado	Recorded	13596279	
4539652	SE4	3	5N	65W	096103000004	Weld	Colorado	Weld	Colorado	Recorded	13596286	13054403
4539652	NE4	10	5N	65W	096101010006	Weld	Colorado	Weld	Colorado	Recorded	13596288	13054475
4539652	SW4	3	5N	65W		Weld	Colorado	Weld	Colorado	Recorded	13596295	13079910

Exhibit A8

ASSIGNMENT, BILL OF SALE, AND CONVEYANCE

This **ASSIGNMENT, BILL OF SALE, AND CONVEYANCE** ("Assignment") between Extraction Oil & Gas, Inc. ("Assignor"), a Delaware corporation, whose address is 370 17th Street, Suite 5300, Denver, Colorado 80202, and Rocky Mountain Midstream, LLC ("Assignee"), a Texas limited liability company, whose address is One Williams Center, Tulsa, Oklahoma 74172, is dated to be effective on October 16, 2019 ("Effective Date"). Assignor and Assignee may each be referred to as a "Party" and collectively as the "Parties."

1. Assignment and Conveyance. For consideration of \$10.00 and other valuable consideration acknowledged herein, and subject to the exceptions and provisions set forth herein, Assignor hereby grants, conveys, assigns, and transfers to Assignee and its successors and assigns the entirety of Assignor's right, title and interest in the following (collectively, the "Assets"):

(a) The ANSI 300 16-inch diameter gas gathering line ("Gathering Line"): (A) commencing at or near the furthest downstream flange of the outlet of the Assignor's production facilities located at the well pad referred to as the Wake North Well Pad located in Section 32 of Township 6 North, Range 65 West, the ("Inlet Point"); and (B) terminating at a mutually agreeable point of interconnection with the Assignee's gas gathering and processing system ("Gathering System") in Section 10 of Township 5 North, Range 65 West (such point, the "Outlet Point");

(b) The (4) four 6" gas meters and (2) two 6" buy-back gas meters downstream of the Inlet Point on and along the Gathering Line ("Meters");

(c) The 16" Pig launcher with a 12" by-pass and a 16" Pig Receiver with a 12" by-pass ("Pigging Facilities");

(d) The appurtenant equipment and facilities necessary for delivery of gas from the Wake North Well Pad to the Gathering System by and through the Gathering Line ("Appurtenant Facilities" together with the Gathering Line, Meters, and Pigging Facilities, the "Assignor Constructed Facilities"), as described in more particular detail on Exhibit A attached hereto and incorporated herein;

(e) All books, records, environmental audits, accounting books and records, and supplier lists, insofar and only insofar as they relate to the Assignor Constructed Facilities and the construction and operation thereof;

(f) To the extent transferable, all construction and vendor warranties relating to the Assignor Constructed Facilities and the construction and operation thereof; and

(g) The permits, easements, and rights of way described on Exhibit B attached hereto and incorporated herein ("Easements and Rights-of-Way").

2. **DISCLAIMER OF WARRANTIES.** THE ASSETS ARE BEING CONVEYED BY ASSIGNOR TO ASSIGNEE WITHOUT WARRANTY OF ANY KIND, express, implied, statutory, common law or otherwise, and the Parties hereby expressly disclaim, waive, and release any express warranty of merchantability, condition or safety and any expressed warranty of fitness for a particular purpose; and Assignee accepts the Assets, as is, where is, with all faults, and without recourse. **ASSIGNEE EXPRESSLY WAIVES THE WARRANTY OF FITNESS AND THE WARRANTY AGAINST VICES AND DEFECTS, WHETHER APPARENT OR LATENT, IMPOSED BY ANY APPLICABLE STATE OR FEDERAL LAW.**

3. Assumption. Assignee hereby irrevocably accepts Assignor's assignment pursuant to Section 1 hereof and hereby irrevocably assumes all obligations attributable to the Assets incurred from and after the Effective Date.

4. Notices. All notices or payments authorized or required between Assignee and Assignor by any

provision of this Assignment shall, unless otherwise specifically provided, be given in writing by United States mail, commercial overnight delivery service, or electronic facsimile transmission, properly addressed with postage or charges prepaid, and addressed to Assignor or Assignee at the above addresses, unless a Party, or any successor in interest to a Party, has designated or notified the other Party in writing of another address. Any notice delivered by electronic facsimile transmission shall be effective upon receipt by the addressee.

5. Covenant Running with the Lands. It is the express intent of the Parties that the provisions herein touch and concern the subject lands, and as such constitute a real covenant running with such lands, binding and inuring to the benefit of each Party and its respective successors and assigns.

6. Construction. If an ambiguity or question of intent or interpretation of this Assignment arises, then this Assignment shall be construed as if jointly drafted by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring a party as a result of authorship or drafting of any provision of this Assignment.

7. Severability. If any term or other provision of this Assignment is invalid, illegal, or incapable of being enforced under any rule of law, then all other conditions and provisions of this Assignment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Assignment is not affected in a materially adverse manner with respect to either Party.


8. Counterparts. This Assignment may be executed and delivered in one or more counterparts, each of which when executed and delivered shall be an original, and all of which when executed shall constitute the same instrument.

[Execution and Acknowledgment Page Follows]

The Parties have executed this **ASSIGNMENT, BILL OF SALE, AND CONVEYANCE** to be effective on the Effective Date.

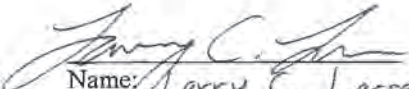
ASSIGNOR:

Extraction Oil & Gas, Inc.


Name: Matt Owens
Title: President

ASSIGNEE:

Rocky Mountain Midstream, LLC


Name: Larry E. Larsen
Title: General Manager

ACKNOWLEDGMENTS

STATE OF COLORADO

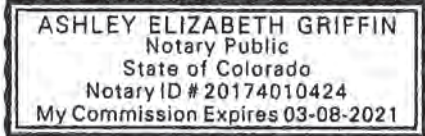
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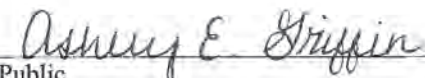
COUNTY OF DENVER

The foregoing **ASSIGNMENT, BILL OF SALE AND CONVEYANCE** was acknowledged before on October 28, 2019, by Matt Owens, in his/her capacity as President, of Extraction Oil & Gas, Inc., a Delaware corporation, on behalf of such corporation.

Witness my hand and official seal.

My Commission expires: 03-08-2021




Notary Public

STATE OF COLORADO

}
} ss.
}


COUNTY OF DENVER

The foregoing **ASSIGNMENT, BILL OF SALE AND CONVEYANCE** was acknowledged before on October 29, 2019, by Larry Larsen, in his/her capacity as General Manager, of Rocky Mountain Midstream, LLC, a Texas limited liability company, on behalf of such limited liability company.

Witness my hand and official seal.

My Commission expires: 5-7-23




Notary Public

[End of Execution and Acknowledgment Page]

**EXHIBIT A TO ASSIGNMENT, BILL OF
SALE AND CONVEYANCE**

Description of Assignor Constructed Facilities

The Assignor Constructed Facilities originate in the NWSE of Section 32, T6N R65W and traverses ~21,173 feet to the termination point in the SENE of Section 10 T5N R65W.



**EXHIBIT B TO ASSIGNMENT, BILL
OF SALE AND CONVEYANCE**

Description of Easements and Rights-of-Way

Grantor	Grantee	Reception No.	Record Date	Effective Date	Legal Description	Interest Being Assigned
7N LLC	Extraction Oil & Gas Inc.	4494443	6/4/2019	6/4/2019	Sec 32 T6N, R65W, Weld County, CO	100%
7N LLC	Extraction Oil & Gas Inc.	4494443	6/4/2019	6/4/2019	Sec 32 T6N, R65W, Weld County, CO	100%
3 J Farms LLLP	Extraction Oil & Gas Inc.	4490236	5/17/2019	5/14/2019	Sec 32 T6N, R65W, Weld County, CO	100%
Hungenberg MC Farms LLLP	Extraction Oil & Gas Inc.	4489552	5/16/2019	5/14/2019	Sec 33 T6N, R65W, Weld County, CO	100%
Hungenberg BL Farms LLLP	Extraction Oil & Gas Inc.	4489551	5/16/2019	5/14/2019	Sec 33 T6N, R65W, Weld County, CO	100%
Hoshiko Land LLC	Extraction Oil & Gas Inc.	4490213	5/17/2019	5/15/2019	Sec 33 T6N, R65W, Weld County, CO	100%
Donald E. Hungenberg and Beatrice L. Hungenberg	Extraction Oil & Gas Inc.	4489550	5/16/2019	5/14/2019	Sec 33 T6N, R65W, Weld County, CO	100%
David C. Bliss	Extraction Oil & Gas Inc.	4488589	5/13/2019	5/1/2019	Sec 33 34 T6N, R65W, Weld County, CO	100%
James R. Koehler Revocable Trust	Extraction Oil & Gas Inc.	4499721	6/24/2019	6/12/2019	Sec 33 T6N, R65W, Weld County, CO	100%
David C. Bliss	Extraction Oil & Gas Inc.	4488589	5/13/2019	5/1/2019	Sec 34 T6N, R65W, Weld County, CO	100%
Jerry D. Winters (1/2 INT)	Extraction Oil & Gas Inc.	4492935	5/30/2019	5/16/2019	Sec 34 T6N, R65W, Weld County, CO	100%
Greeley Weld County Airport Authority	Extraction Oil & Gas Inc.	4491107	5/22/2019	5/17/2019	Sec 2 T5N, R65W, Weld County, CO	100%
Greeley Weld County Airport Authority	Extraction Oil & Gas Inc.	4491107	5/22/2019	5/18/2019	Sec 3 T5N, R65W, Weld County, CO	100%
Greeley Weld County Airport Authority	Extraction Oil & Gas Inc.	4491107	5/22/2019	5/19/2019	Sec 3 T5N, R65W, Weld County, CO	100%
Carmen Rodriguez (1/2 INT)	Extraction Oil & Gas Inc.	4492265	5/28/2019	5/24/2019	Sec 3 T5N, R65W, Weld County, CO	100%
Varra Companies Inc	Extraction Oil & Gas Inc.	4514169 Amended at 4521987	8/13/19 Amended on 9/10/19	8/10/2019	Sec 10 T5N, R65W, Weld County, CO	100%
Ogilvy Ditch	Extraction Oil & Gas Inc.	Unrecorded		5/15/2019	Sec 10 T5N, R65W, Weld County, CO	100%
Bliss Lateral Ditch Crossing	Extraction Oil & Gas Inc.	Unrecorded	-	6/12/2019		100%
N. Weld County Water District	Extraction Oil & Gas Inc.	Unrecorded	-	8/28/2019		100%

**EXHIBIT B TO ASSIGNMENT, BILL
OF SALE AND CONVEYANCE**

Description of Permits

Permit No.	Permit Approval Date	Permittee	Agency
LAP19-0010	7/15/2019	Extraction Oil & Gas Inc.	Weld County Department of Planning Services
FHDP19-0033	6/27/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
US HWY 85	7/10/2019	Extraction Oil & Gas Inc.	CDOT
RWOG19-0487	7/26/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
RWOG19-0486	7/26/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
RWOG19-0383	7/26/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
SPG2019-0023	9/5/2019	Extraction Oil & Gas Inc.	City of Greeley
ROW19-0421	9/17/2019	Extraction Oil & Gas Inc.	City of Greeley
ROW19-0422	9/17/2019	Extraction Oil & Gas Inc.	City of Greeley
AP19-00259	7/1/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
TAP19-0087	7/1/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
TAP19-0089	8/1/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
AP19-00260	7/1/2019	Extraction Oil & Gas Inc.	Weld County Public Works Dept.
AX19-2046	9/10/2019	Extraction Oil & Gas Inc.	City of Greeley Water and Sewer
AX19-2047	9/10/2019	Extraction Oil & Gas Inc.	City of Greeley Water and Sewer
AX19-2046	9/10/2019	Extraction Oil & Gas Inc.	City of Greeley Water and Sewer
LG19-00377	9/9/2019	Extraction Oil & Gas Inc.	City of Greeley

End of Exhibit B

RIGHT OF WAY AGREEMENT

Parcel # 0181700000149

STATE OF COLORADO)
)
COUNTY OF ADAMS)

This Right of Way Agreement (the "Agreement") is entered into by and between **Elevation Midstream, LLC**, ("**Grantor**"), whose mailing address is 370 17th Street, Suite 5300, Denver, Colorado 80202 and **Rocky Mountain Midstream, LLC**, a Texas limited liability company, ("**RMM**"), having a mailing address of One Williams Lane, Tulsa, Oklahoma 74172.

In consideration of the sum of ten dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Grantor, Grantor does hereby grant, warrant, convey and assign unto RMM, its successors and assigns, a perpetual and non-exclusive easement and right of way for the locating of the routes for, and the laying, constructing, erecting, operating, maintaining, inspecting, testing, repairing, changing the size of, relocating, relaying, removing and/or abandoning in place a pipeline or pipelines, and appurtenances, along with right of ingress, egress, and regress, together with such valves, fittings, meters, connections, markers, cathodic protection, corrosion control and monitoring devices, pipeline operating control devices, hydrate removal systems, communications, telemetry and data acquisition facilities and related facilities, overhead and/or underground electric lines, regulators and other above and below ground appurtenances, and other equipment and appurtenances (collectively, "**the Facilities**") as may be necessary or convenient for the transportation by pipeline of oil, gas, condensate, natural gas liquids petroleum or any products, byproducts thereof, water, produced water, other liquids and gases and mixtures of any of the foregoing, including on, over, under, across and through a strip of land fifty feet (50') in width (the "**Right of Way**"), further depicted on Exhibit "A" attached hereto and made a part hereof, and located all or in part of:

Township 3 South, Range 64 West, 6th P.M.

Section 34: A tract of land in the SW4 being more particularly described in that certain Bargain and Sale Deed dated June 22, 2018 and recorded as Reception Number 2018000052122.

Adams County, Colorado

This Agreement is made subject to the following terms and conditions:

1. RMM agrees to bury any permanent pipelines used for the transportation and gathering of oil, gas, other hydrocarbons and their constituents so that the top of said pipelines will be buried at least forty-eight inches (48") below the existing ground level contour at the time of initial construction. In areas of rock concentration, such pipelines will be buried so that the top of said pipelines will be buried at least thirty-six inches (36") below the existing ground level contour.
2. RMM will reseed any areas disturbed by RMM's operations on the Right of Way with a seasonal perennial or with suitable alternatives, as determined in RMM's reasonable discretion. This clause will not apply to tillable farmland.
3. RMM will restore the disturbed areas to as near as practicable the condition which existed on the date of commencement of construction activities on the Right of Way.

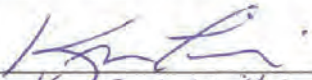
4. If RMM temporarily removes a gate, fence, or a portion of a fence in the Right of Way area in connection with its pipeline installation or maintenance operations, RMM agrees to replace said gate, fence, or portion of fence with that of a like kind and quality upon completion of its pipeline installation or maintenance operations.
5. Grantor hereby grants to RMM and its successor and assigns the right of ingress and egress to and from the Right of Way for any and all purposes necessary or convenient, including but not limited to geotechnical, cultural, and environmental surveys, related to the exercise by RMM of the rights granted in this Agreement on, over and across the Right of Way and any adjacent property owned by Grantor.
6. Grantor hereby grants to RMM and its successors and assigns the right to use a strip of land fifty feet (50') in width as a temporary workspace easement to be located along, adjacent to and parallel with the Right of Way, the exact location of the temporary fifty-foot (50') easement to be determined by RMM in its sole discretion. Grantor hereby also grants to RMM and its successors and assigns the right to use additional workspace at the crossing of existing easements, roads, railroads, streams, canals or uneven terrain alongside the Right of Way as needed during the exercise of any of the rights granted in this Agreement and will have the right at any time to clear and keep clear the Right of Way of any trees, shrubs, or brush without payment for damages.
7. Grantor will not construct or erect any temporary or permanent buildings, structures or other obstructions or improvements in, on or over the Right of Way, and will not change the depth of the cover over any of RMM's Facilities without RMM's written permission, which will not be unreasonably withheld (collectively, "**Encroachments**"). RMM will have the right to remove any and all such Encroachments. Grantor further agrees not to convey any other rights of way or other conflicting rights within the Right of Way to any third parties, without the prior written consent of RMM.
8. RMM agrees to comply with any applicable federal and state regulations, orders and rules related to the Facilities and the exercise of RMM's rights hereunder.
9. RMM agrees to protect, indemnify, and hold harmless Grantor from any claims, demands, expenses, losses, damages, or injuries (including death) to persons or property to the extent caused by RMM's negligence or the negligence of RMM's employees, and/or authorized agents, affiliates, or any other third party working on behalf of RMM (collectively, "**RMM's Representatives**") in connection with RMM's or RMM's Representatives' use of the Facilities and/or Right of Way; provided, however, RMM will not be liable for, and is hereby released from, any and all claims, damages, losses, judgments, suits, actions and liabilities, whether arising during, prior to or subsequent to the term of this Agreement, related to the presence of pollutants, contaminants, petroleum, hazardous substances, or endangerments in, beneath, or along the adjacent property and/or the Right of Way except to the extent caused by the acts or omissions of RMM or RMM's Representatives.
10. Grantor agrees to cooperate with RMM, at no expense to Grantor, and without any additional consideration from RMM, to execute, acknowledge, and deliver to RMM, its successors and assigns, such instruments as are useful or necessary for RMM to exercise its rights under this Agreement, including but not limited to curative title documents, such documents as are useful or necessary to correct a description and evidence such correction in the appropriate amendments, and documents pertaining to related permits, including joining in the execution of any and all governmental applications, authorizations, licenses and documents that may be necessary for RMM's construction and operation of in the Facilities in, on and under the Right of Way.

11. RMM shall have the right to discharge or redeem for Grantor, in whole or in part, any mortgage, tax or other lien that covers, in whole or in part the Right-of-Way and shall be subrogated to such lien and rights.
12. This Agreement and privileges granted in this Agreement are divisible, assignable and transferable in whole or in part by RMM. This Agreement can be signed in counterparts with the same effect as if both Grantor and RMM signed one agreement. It is hereby agreed that the party securing this grant on behalf of RMM is without authority to make any covenant or agreement not expressed in this Agreement.
13. All notices must be in writing and must be delivered to the above addresses in order to be effective unless changed by either party through prior written notice to the other. All payments made to Grantor pursuant to the terms of this Agreement will be made by RMM by check, payable and mailed or delivered to Grantor at the last known address of Grantor. Should the entities or persons that comprise Grantor be more than one in number at any given time, each such entity or person will receive any payment provided under this Agreement in such proportion as their respective interest bears to the entire fee simple title of the Right of Way.
14. If any provision or any portion of any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable by reason of any law or public policy, such provision or portion thereof will be considered to be deleted, and the remainder of this Agreement will constitute the agreement between Grantor and RMM covering the subject matter hereof.
15. Grantor and RMM intend and agree that the Right of Way and the rights granted in this Agreement are and will be a covenant running with the land and will be binding on and inure to the benefit of Grantor, RMM and their successors, heirs and assigns.
16. Grantor and RMM acknowledge and agree that this Agreement contains and expresses all the agreements and obligations of Grantor and RMM with respect to the rights granted in this Agreement and no covenant, agreement, or obligation not expressed in this Agreement shall be imposed upon Grantor or RMM, their heirs, successors and assigns, unless in writing and executed by both Grantor or RMM. Grantor agrees to maintain the consideration paid to Grantor under this Agreement as confidential and agrees not to disclose or caused to be disclosed to third-parties other than to consult with their legal, tax, financial, and accounting advisors (each of which Grantor will cause to maintain such confidentiality) or for purposes of enforcement of this Agreement and its terms. A Memorandum will be executed, in recordable form, by both Grantor and RMM and recorded by RMM (at RMM's sole cost) with the Adams County Recorder. Said Memorandum will describe the parties, the Property, the Right of Way and will incorporate this Agreement by reference but will not disclose the consideration or other terms of this Agreement other than those stated in this sentence.

EXECUTED as of this 14 day of NOVEMBER, 2018.


GRANTOR:

Elevation Midstream, LLC


By: Kevin L. Williams
Its: President

RMM:

Rocky Mountain Midstream, LLC


By: MATT HASTINGS
Its: DIRECTOR OF OPERATIONS & ENGINEERING

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ACKNOWLEDGEMENTS

STATE OF COLORADO)
)
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 14th day of November, 2018,
by Kenneth Williams, as President, of Elevation Midstream LLC,
and being authorized to do so, on behalf of said company.

WITNESS my hand and Official Seal.



[Signature]
Notary Public in and for said State and County

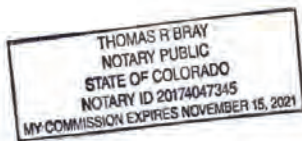
MY COMMISSION EXPIRES:

11-20-2019

STATE OF COLORADO)
)
COUNTY OF ADAMS)

The foregoing instrument was acknowledged before me this 12 day of DECEMBER, 2018,
by MATT HASTINGS, as DIRECTOR OF OPERATIONS AND ENGINEERING, of Rocky Mountain Midstream, LLC, a Texas limited liability company, and being authorized to do so, on behalf of said company.

WITNESS my hand and Official Seal.



Thomas R Bray
Notary Public in and for said State and County

MY COMMISSION EXPIRES:

11-15-2021

Exhibit "A"

Attached to and made a part of that certain Right of Way Agreement dated the 14 day of November, 2018 by and between Elevation Midstream, LLC, as Grantor and Rocky Mountain Midstream, LLC as RMM.

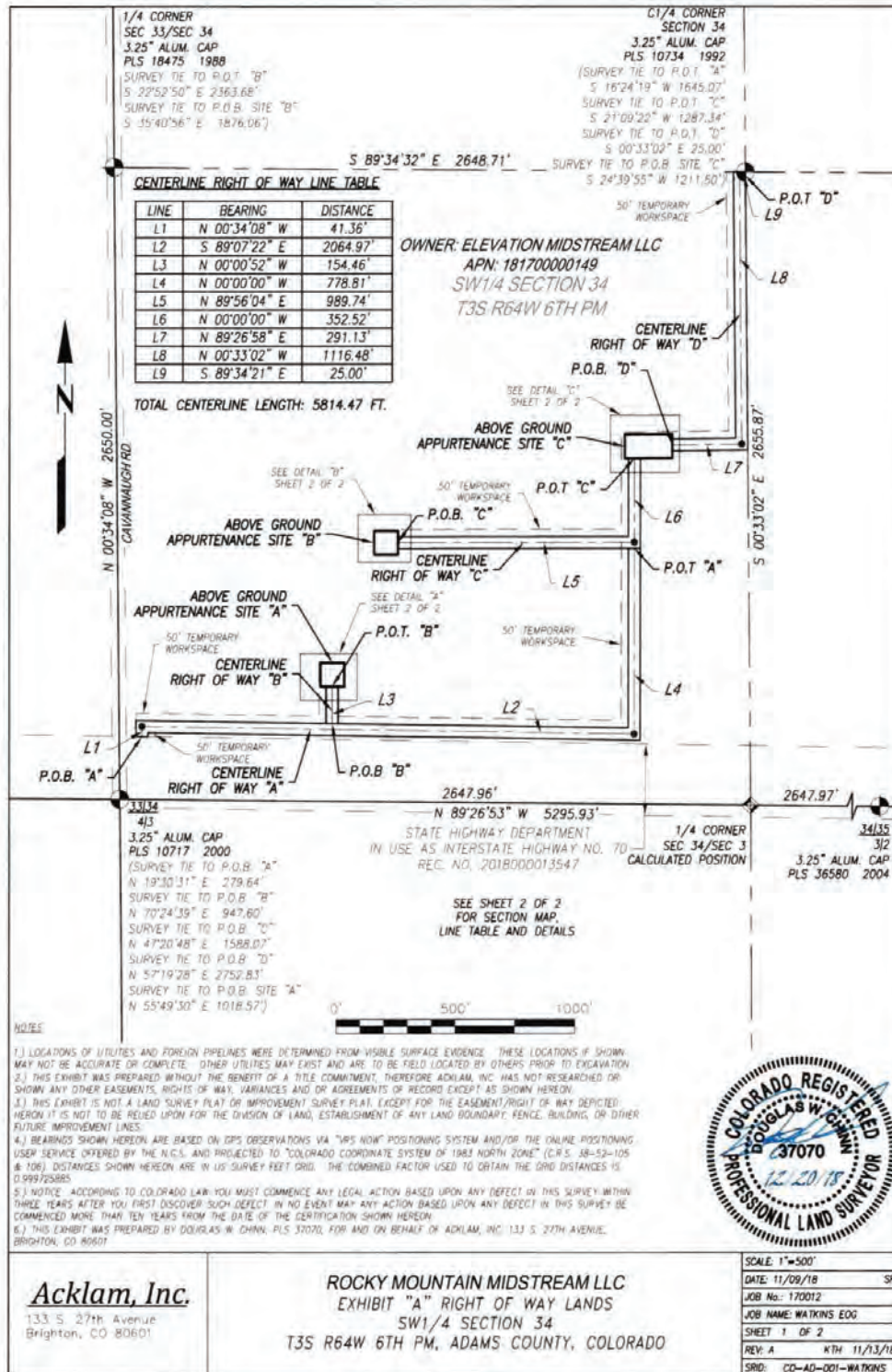


Exhibit "A"

Attached to and made a part of that certain Right of Way Agreement dated the 14 day of November, 2018 by and between Elevation Midstream, LLC, as Grantor and Rocky Mountain Midstream, LLC as RMM.

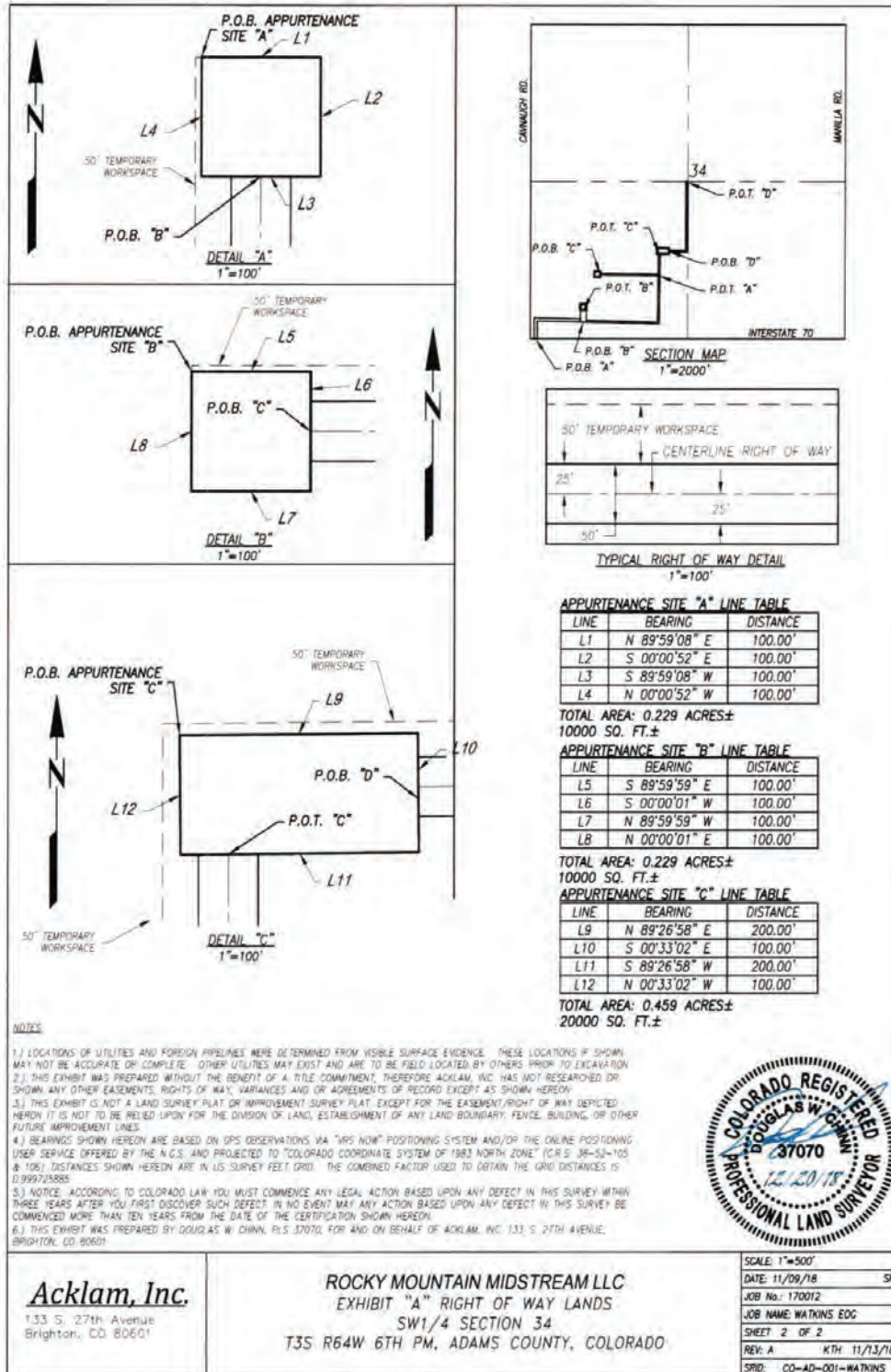


Exhibit A9

Exhibit A9 has been redacted in its entirety

Exhibit A10

2013000099206 11/21/2013

PRODUCERS 88-PAID UP
Rev. 5-60, No. 2-9pt.-Amended

OIL AND GAS LEASE

THIS AGREEMENT, dated the 13th day of September, 2013, is made and entered into by and between Timothy Mowery, a single man whose address is 13100 Cameron Drive, Brighton, Colorado 80603, hereinafter called Lessor (whether one or more) and Sharp Energy Resources, LLC, whose address is 1700 Broadway, Suite 650, Denver, Colorado 80290-1170, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE (\$10.00+) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and developing, operating, and producing therefrom oil and all gas of whatsoever nature or kind including all hydrocarbon and non-hydrocarbon substances produced therewith (hereinafter "Leased Substances"), and to produce, save, market and take care of said products, being all the certain tract(s) of land situated in the County of Adams, State of Colorado, described as follows, to-wit:

TOWNSHIP 1 SOUTH, RANGE 66 WEST, 6TH PM

Section 28: That part of the W2 lying North of the Burlington Ditch ROW and that part lying South and East of the C B & Q Railroad ROW and that part lying West of the outer toe of Barr Lake Embankment,

and containing approximately 40.50 gross acres, more or less.

Notwithstanding any particular description, it is nevertheless the intention of Lessor to include within this lease and Lessor does hereby lease, not only the land so described but also any and all other land owned or claimed by Lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners, including all lands and rights acquired or retained by Lessor by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above, as well as all riparian lands and rights which may be incident, appurtenant, related or attributed to Lessor in any lake, reservoir, stream or river traversing or adjoining the lands described above, and further, all lands included in any road, easement or right-of-way traversing or adjoining the lands described above, which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above.

1. TERM. This lease shall remain in force for a primary term of 5 (Five) years from this date and as long thereafter as Leased Substances are produced in paying quantities from said leased premises or on acreage pooled therewith, or this lease is otherwise maintained in effect pursuant to the provisions hereof. If, at the expiration of the primary term of this lease, Leased Substances are not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working Operations thereon, then this lease shall continue in force so long as Operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and Operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of Operations for the drilling of a subsequent well. If after discovery of Leased Substances on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working Operations within ninety (90) days from date of cessation of production or from date of completion of any dry hole. If Leased Substances shall be discovered and produced as a result of such Operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as Leased Substances are produced from the leased premises or on acreage pooled therewith. As used herein, the term "Operations" shall mean any activity conducted on or off the leased premises that is reasonably calculated to obtain or restore production, including without limitation, (i) drilling or any act preparatory to drilling (such as obtaining permits, surveying a drill site, staking a drill site, building roads, clearing a drill site, or hauling equipment or supplies); (ii) reworking, plugging back, deepening, treating, stimulating, refitting, injecting air, gas, water, brine and other fluids from any source, installing any artificial lift or production-enhancement equipment or technique; (iii) constructing or operating facilities related to the production, treatment, transportation and marketing of substances produced from the leased premises; and (iv) contracting for marketing services and sale of Leased Substances.

In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "Operations" shall also mean, in addition to those matters covered in the preceding paragraphs: (1) Operations of said wells and the construction and/or operation of related facilities to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such Operations may not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

2. RENTAL. This is a PAID-UP LEASE requiring no payment of rentals during the primary term. Unless otherwise stated herein, in consideration of the initial cash payment for entering this Lease, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any Operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

TM

3. ROYALTY. For all Leased Substances that are physically produced from the leased premises, or lands pooled, unitized or communized therewith, and sold, Lessor shall receive as its royalty Seventeen Percent (17%) of the sales proceeds actually received by Lessee or, if applicable, its affiliate, as a result of the first sale of the affected production to an unaffiliated party, less this same percentage share of all Post Production Costs and this same percentage share of all production, severance and ad valorem taxes. As used in this provision, Post Production Costs shall mean all costs actually incurred by Lessee or its affiliate and all losses of produced volumes whether by use as fuel, line loss, flaring, venting or otherwise from and after the wellhead to the point of sale. These costs include without limitation, all costs of gathering, marketing, compression, dehydration, transportation, removal of liquid or gaseous substances or impurities from the affected production whether or not provided by an affiliate of Lessee, and any other treatment or processing required by the first unaffiliated party who purchases the affected production. For royalty calculation purposes, Lessee shall never be required to adjust the sales proceeds to account for the purchaser's costs or charges downstream of the point of sale.

4. SHUT-IN ROYALTY. If after the primary term one or more wells on the leased premises or lands pooled or unitized therewith is capable of producing Leased Substances in paying quantities, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. Where Leased Substances from a well capable of producing gas are not sold or used, Lessee may pay or tender as royalty to the royalty owners One Dollar per year per net royalty acre included hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that Leased Substances are being produced within the meaning of this lease.

5. LESSOR INTEREST. If Lessor owns a lesser interest in the above described land than the entire and undivided mineral estate therein, then the royalties (including any shut-in oil and/or gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided mineral estate. To the extent any royalty or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, such royalty or other payment shall be deducted from the corresponding amount otherwise payable to Lessor hereunder.

6. **ANCILLARY RIGHTS.** The rights granted to Lessee hereunder shall include the right of ingress and egress on the leased premises or lands pooled or unitized therewith, along with such rights as may be reasonably necessary to conduct Operations for exploring, developing, producing and marketing leased substances, including but not limited to geophysical Operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to explore, discover, produce, store, treat and/or transport Leased Substances and water produced from other lands that share central facilities and are jointly operated with the leased premises for gathering, treating, compression and water disposal. Lessee may use in such Operations, free of cost, any oil, gas, water and/or other Leased Substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled or unitized therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled or unitized therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its Operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

7. **RIGHT TO ASSIGN.** The rights of Lessor and Lessee hereunder may be assigned in whole or part, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice in writing, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all of Lessee's Operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

8. **POOLING.** Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to communitize, pool or unitize the leasehold estate and the mineral estate covered by this lease with other land(s), lease or leases in the immediate vicinity for the production of Leased Substances, or separately for the production of a single substance, when in Lessee's judgment it is necessary or advisable to do so for the conservation of Leased Substances or in order to promote the prudent development of the lease, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing Leased Substances, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. The creation of a unit by such pooling, including without limitation pooling for a horizontal completion, shall be based on the configuration and amount of acreage which conforms to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. The term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical completion component in such reservoir. Any unit may include land upon which a well has theretofore been completed or upon which Operations for drilling have theretofore been commenced. Production, drilling or reworking Operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking Operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in oil and/or gas royalties, Lessor shall receive on production from the unit so communitized or pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit.

9. **DELAY.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of Leased Substances. When Operations or production are delayed or interrupted by such laws, rules, regulations or orders, or by inability to obtain necessary permits, lack of water, labor or material, or by fire, storm, flood, war rebellion, insurrection, riot, strike, differences with workmen, equipment failure, rig delay, or failure of carriers to furnish transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any cause whatsoever beyond the reasonable control of Lessee, the time of such delay or interruption shall not be counted against Lessee relative to its obligations hereunder and this lease shall remain in force during such delay or interruption and for ninety (90) days thereafter, anything in this lease to the contrary notwithstanding. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when Operations are so prevented or delayed.

10. **BREACH OR DEFAULT.** No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any asserted breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the asserted breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless and until Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

11. **WARRANTY OF TITLE.** Lessor hereby agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor. If Lessee exercises such option, Lessee shall be subrogated to the rights of the holder thereof, and the undersigned Lessor, for itself and its heirs, successors and assigns, hereby surrenders and releases all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

12. **OFFER TO LEASE.** In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered, and all other pertinent terms and conditions of the offer. Lessee, for a period of thirty (30) days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. **MULTIPLE LESSORS.** This lease may be executed in counterparts and all counterparts shall be construed together and shall constitute one lease. Upon execution, this lease shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

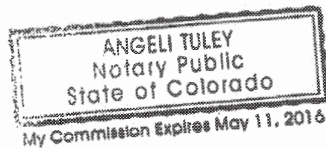
By: *Timothy Mowery*
Timothy Mowery

COUNTY OF *Douglas*)
STATE OF *Colorado*)

ACKNOWLEDGMENT—INDIVIDUAL

On this day *23* of *September*, 2013, before me personally appeared Timothy Mowery, personally known to me to be the person who executed the within and foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the uses, purposes and in the capacity therein set forth.

WITNESS my hand and official seal.



Angeli Tuley
Notary Public
Angeli Tuley
Print Name

PRODUCERS 88-PAID UP

OIL AND GAS LEASE

THIS AGREEMENT is made and entered into on the 12th day of May 2020, by **Horizon Resources II, LLC** whose address is 2150 W. 29th Avenue, Suite 500, Denver, CO 80211, hereinafter called Lessor, (whether one or more), and **Extraction Oil & Gas, Inc.** whose address is 370 17th Street, Suite 5300, Denver, CO 80202, hereinafter called Lessee;

WITNESSETH, That the Lessor, for and in consideration of TEN AND MORE DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, specifically including helium, carbon dioxide, and coalbed methane and any and all substances produced in association therewith from coal-bearing formations, dewatering of coalbed methane, using methods and techniques which are not restricted to current technology, including the right to conduct exclusive geophysical and other exploratory tests; with ingress and egress for rights of way and easements to construct and maintain pipelines, roads, water wells, disposal wells, injection wells, pits, tanks, ponds, electric and telephone lines, and erection of structures and other facilities thereon, and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, and the injection of air, gas, water, brine, and other fluids into the subsurface strata, to produce, save and take care of said products, all upon that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit:

Township 5 North, Range 65 West of the 6th P.M.

Section 7: Part of the SE/4SW/4 being more particularly described as: Lot 811, Block 8, Glenmere Park Subdivision, City of Greeley, State of Colorado also known as 1930 19th Avenue, Greeley, Colorado 80631. Including all strips and parcels of land contiguous thereto or in said section.

Containing 0.4093 acres, more or less (the "Premises");

In addition to the lands described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are owned or claimed by Lessor by one of the following reasons: (1) all lands and rights acquired or retained by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of Lessor's ownership of the lands described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the lands are located.

1. It is agreed that this Lease shall remain in force for a primary term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled, communitized or unitized therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this Lease, oil or gas is not being produced on the Premises or on acreage pooled, communitized or unitized therewith but Lessee is then engaged in drilling, re-working, or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted on the Premises or on acreage pooled, communitized or unitized therewith; and such operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) consecutive days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled, communitized or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, or re-working operations within one hundred twenty (120) days from the date of cessation of production, or from the date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this Lease, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled, communitized or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the cash down payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this Lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. In consideration of the Premises, Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on the Premises, the equal **20.00%** part of all oil produced and saved from the Premises.

2nd. To pay Lessor as royalty, on gas and the constituents thereof produced from the Premises and sold or used off the Premises or in the manufacture of products therefrom, the market value at the wellhead of 20.00% of the product sold or used. All royalties paid on gas sold by Lessee or used off the Premises or used in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs.

including but not limited to excise, production, and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing costs. On product sold at the well, the royalty shall be 20.00% of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

3rd. In calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes, as well as other post-production costs, as described above.

4. If after the primary term one or more wells on the Premises or lands pooled, communitized, or unitized therewith, are capable of producing oil or gas or other substances covered hereby, but such well or wells are either shut in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing for the purpose of maintaining this Lease. If for a period of ninety (90) consecutive days such well or wells are shut in or production therefrom is not sold by Lessee, including dewatering of coalbed gas, the Lessee shall pay an aggregate shut-in royalty of one dollar per acre then covered by this Lease, such payment to be made to Lessor on or before the anniversary date of this Lease next ensuing after the expiration of the said ninety (90) day period and thereafter on or before each anniversary of date of this Lease while the well or wells are shut in or production therefrom is not being sold by Lessee; provided that if this Lease is in its primary term or otherwise being maintained by operations, or if production is being sold by Lessee from another well on the Leased Premises or lands pooled, communitized or unitized therewith, no shut-in royalty shall be due until end of the next following anniversary date of this Lease that cessation of such operation or production occurs, as the case may be. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this Lease.

5. If said Lessor owns a less interest in the Leased Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil, and water produced on the Leased Premises for Lessee's operation thereon.

7. The rights of Lessor and Lessee hereunder may be assigned in whole or part, by area or depth or zone and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in ownership of Lessor's interest (by assignment or otherwise) shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until sixty (60) days after Lessee has been furnished with notice from Lessor and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. In the event of death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of the decedent or the decedent's estate. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons either jointly, or separately in proportion to the interest which each owns. If Lessee transfers a full or undivided interest in all or any portion of the Premises, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and transferee in proportion to the net acreage interest in this Lease then held by each. If Lessee transfers or assigns its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of the Lessee with respect to any interest not so transferred. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

8. Lessee at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to anyone or more of the formations hereunder to pool, communitize or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formation. The forming or reforming of any unit, pooled area or communitized area shall be accomplished by Lessee executing and filing of record a declaration of such unitization, pooling or communitization or reformation, which declaration shall describe the unit, pooled area or communitized area. Any unit, pooled area, or communitized area may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, dewatering or reworking operations or a well shut in for want of a market anywhere on a unit, pooled area or communitized area which includes all or a part of this Lease shall be treated as if it were production, drilling, dewatering or reworking operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive on production from the unit, area or communitized area, royalties only on the portion of such production allocated to this Lease: such allocation shall be that proportion of the unit, pooled area or communitized area production that the total number of surface acres covered by this Lease and included in the unit, pooled area, or communitized area bears to the total number of surface acres in such unit, pooled area, or communitized area. In addition to the foregoing, Lessee shall have the right to unitize, communitize, pool, or combine all or any part of the Leased Premises as to one or more of the formations hereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and particularly, all drilling and development requirements of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement.

and this Lease shall not terminate or expire during the life of such plan or agreement. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

9. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a ~~perpetual~~ subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. ~~Such subsurface well bore easements shall run with the land and survive any termination of this Lease.~~ *JS*

10. Lessee's obligations under this Lease shall be subject to all applicable laws, rules, regulations and orders of any government authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, has or other substance covered hereby. This Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

11. When drilling, reworking, production or other operations or obligations under this Lease are prevented or delayed by laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services material, water, electricity, fuel, access or easements, or by an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, fracking bans, governmental action, governmental delay, restraint or inaction, or by inability to obtain a satisfactory market for production in Lessee's opinion, or failure of purchasers or carriers to take or transport such production, or by any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within control of the Lessee, this Lease shall not terminate because of such prevention or delay and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provision or implied covenants of this Lease when drilling, production, or other operations are so prevented or delayed.

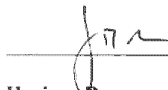
12. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such time period. In the event the matter is litigated and there is final judicial determination that a breach or default has occurred, this Lease shall not be forfeited or cancelled in whole or in part unless Lessee is given reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

13. ~~In the event that this Lessor, during the primary term of this Lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this Lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this Lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered, and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.~~ *JS*

14. Should any one or more of the parties hereinabove named as Lessor fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this Lease shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

15. ~~Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein. If Lessee redeems any such lien, Lessee may recover any amount expended out of Lessor royalties or shut-in royalties.~~ *JS*

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.



Horizon Resources II, LLC

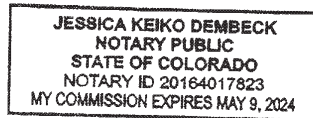
INDIVIDUAL ACKNOWLEDGMENT

STATE OF Colorado)
) SS:
COUNTY OF Jefferson)

The forgoing instrument was acknowledged before me this 12th day of May, 2020,
by Jason D. Dean, to me known to be the identical person(s) described herein, and who executed the within
and foregoing instrument of writing and acknowledgment to me that he/she duly executed the same as his/her free
and voluntary act and deed for the uses and purpose therein set forth.

WITNESS my hand and official seal.

My Commission Expires: May 9, 2024



Signature Notary Public:

Name Notary Public (print):

Notary Public in and for the State of:

Jessica Keiko Dembeck
Jessica Keiko Dembeck
Colorado

PRODUCERS 88-PAID UP.
Rev. 5-60 No. 2

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 2nd day of June, 2017, by and between Albert J. Rodriguez, whose address is 18100 E. 136th Avenue, Brighton, CO 80603-7013, (hereinafter called Lessor, whether one or more) and HRM Resources II, LLC, whose address is 410 17th Street, Suite 1600, Denver, CO 80202, (hereinafter called Lessee).

WITNESSETH, That the Lessor, for and in consideration of Ten and More (\$10.00) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas, to include coalbed methane gas, of whatsoever nature or kind, together with the right to construct and maintain pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas (which right shall include specifically a right-of-way and easement for ingress to and egress from said lands by Lessee, or its assigns, agents or permittees, necessary to or associated with the construction and maintenance of such pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures on said lands to produce, save and take care of the oil and gas), and the exclusive right to inject air, gas, water, brine or other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, mine or carbide with neighboring land, for the production, saving and taking care of oil and gas (including dewatering of coalbed gas wells), and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County

of Adams, State of Colorado, described as follows, to-wit:

Township 1 South, Range 66 West of the 6th P.M.

Section 28: A tract in the NW1/4 Section 28, Township 1 South, Range 66 West, 6th P.M., described as follows: Beginning at the North-quarter corner of said Section 28; thence East along the North line of Section 28 a distance of 1262.6 feet to the True Point of Beginning, thence South 109 feet; thence East 400 feet; thence North 109 feet; thence West 400 feet to the True Point of Beginning containing 1 acre more or less.

*Notwithstanding anything to the contrary in this Oil and Gas Lease, any and all reference, in paragraph 3, regarding royalty interest, is hereby and by this reference hereto, amended to read fifteen percent (15%) royalty.

In addition to the lands described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are owned or claimed by Lessor by one of the following reasons: (1) all lands and rights acquired or retained by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of Lessor's ownership of the lands described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the lands are located.

For purposes of payment of rentals and royalties, Lessor and Lessee agree that the lease shall be treated as covering 1.0 acres, whatever more or less.

1. It is agreed that this lease shall remain in force for a term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling, re-working or dewatering operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith, and operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises.

2nd. The Lessee shall pay Lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold the royalty shall be one-eighth (1/8th) of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by Lessee and a gas purchaser for such term and under such conditions as are customary in the industry at the location where the well is located. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory order and after application of any applicable price adjustments specified in such contract or regulatory orders. Lessor and Lessee agree that costs that are customary in the area which are incurred by Lessee in gathering, compressing, dehydrating, and transporting gas to a pipeline or processing plant may be deducted from the royalty paid to Lessor.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8th) of the proceeds, at the mouth of the well, payable at the prevailing market rate.

4. If, at the expiration of the primary term or at any time or times thereafter there is any well on the leased premises either capable of producing oil or gas or subject to dewatering operations, then this lease shall not terminate so long as such well is shut in or such dewatering operations continue. For each such well, Lessee shall pay or tender to Lessor or Lessor's successor or assignee One Dollar per year per net mineral acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering commences and thereafter on or before the anniversary date of this lease during the period such well is shut in or is in a dewatering phase. Lessee's failure to pay or tender, or properly pay or tender, any such sum shall render Lessee liable for the amount due but it shall not operate to terminate the lease.

5. If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any amount due as described in paragraph # 4 above) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 500 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part. No change of ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with any other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations on a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations on a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit and shall be subject to paragraph # 5 above. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental agency having authority to do so and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

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Type: OG LS Stan Martin, Adams County, CO

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. When drilling, production or other operations are delayed, interrupted or stopped by lack of water, labor, material, inability to obtain access to leased premises, fire, flood, war, rebellion, insurrection, riot, strike, differences with workmen, failure of carriers to transport or furnish facilities for transportation of any product produced hereunder, lack of available or satisfactory market, in Lessee's opinion, for the oil or gas produced, or as a result of an order, or any ban on hydraulic fracturing by any city, county, state or government authority, or failure to issue permits, or the approval of any governmental agency, (including but not limited to orders restricting production) or as a result of any cause beyond the control of Lessee, the time of such delay, interruption or stoppage shall not be counted against the Lessee under any provision of this lease, and this lease shall not terminate by reason of any such delay, interruption or stoppage, and period of such delay, interruption or stoppage shall be added to the term of this lease.

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more of all the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

17. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. This lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and Lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

18. If, during the primary term of this lease, Lessor receives, from a third party, in an arms-length transaction, a bona fide offer, which Lessor is willing to accept, to purchase a lease on all or any part of the lease premises with that lease becoming effective on the expiration of this lease, Lessor agrees to immediately notify Lessee, in writing, of the offer, including in the notice the name and address of the offeror, the price offered and all of the pertinent terms of the offer. Lessee shall have 15 days from the date of receipt of Lessor's written notice within which to elect to purchase a new lease on any part of the lands that are subject to this lease at the same price and on the same terms and conditions as specified in the third party offer. All offers made at times up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this provision. In the event Lessee elects to purchase the new lease it shall notify Lessor in writing prior to the expiration of the 15 day period. Lessee shall promptly furnish Lessor the new lease for execution by Lessor, together with Lessee's payment of the bonus, as specified in the offer, as consideration for the new lease. Upon receipt, Lessor shall promptly execute the new lease and return it to Lessee. Lessee's failure to respond to Lessor's written notice within the 15 day period shall be deemed an election by Lessee not to purchase the new lease. At that time, Lessor shall be free to execute the new lease in favor of the third party offeror.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Lessor:

By Albert J. Rodriguez
Name
Albert J. Rodriguez

By _____
Name

ACKNOWLEDGMENT-INDIVIDUAL

STATE OF Colorado)
COUNTY OF Adams) SS

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14 day of June, 2017, personally appeared Albert J. Rodriguez to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 2/23/2019

Elizabeth Aitchison
Notary Public
Address:



PRODUCERS 88-PAID UP
Rev. 5-60 No. 2

OIL AND GAS LEASE

AGREEMENT, Made and entered into the 2nd day of June, 2017, by and between Albert J. Rodriguez, whose address is 18100 E. 136th Avenue, Brighton, CO 80603-7013, (hereinafter called Lessor, whether one or more) and HRM Resources II, LLC, whose address is 410 17th Street, Suite 1600, Denver, CO 80202, (hereinafter called Lessee).

WITNESSETH, That the Lessor, for and in consideration of Ten and More (\$10.00) DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas, to include coalbed methane gas, of whatsoever nature or kind, together with the right to construct and maintain pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures thereon to produce, save and take care of said oil and gas (which right shall include specifically a right-of-way and easement for ingress to and egress from said lands by Lessee, or its assignees, agents or permittees, necessary to or associated with the construction and maintenance of such pipelines, telephone and electric lines, tanks, ponds, roadways, plants, equipment, and structures on said lands to produce, save and take care of the oil and gas), and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata, and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving and taking care of oil and gas (including dewatering of coalbed gas wells), and the injection of air, gas, water, brine, and other fluids into the subsurface strata, said lands being situated in the County

of Adams, State of Colorado, described as follows, to-wit:

Township 1 South, Range 66 West of the 6th P.M.

Section 28: A tract in the N $\frac{1}{2}$ N $\frac{1}{2}$ Section 28, Township 1 South, Range 66 West, 6th P.M., described as follows: Beginning at the North quarter corner of said Section 28; thence East along the North line of Section 28 a distance of 1262.6 feet to the True Point of Beginning, thence South 109 feet; thence East 400 feet; thence North 109 feet; thence West 400 feet to the True Point of Beginning containing 1 acre more or less.

***Notwithstanding anything to the contrary in this Oil and Gas Lease, any and all reference, in paragraph 3, regarding royalty interest, is hereby and by this reference hereto, amended to read fifteen percent (15%) royalty**

In addition to the lands described above, Lessor hereby grants, leases and lets exclusively unto Lessee, to the same extent as if specifically described, lands which are owned or claimed by Lessor by one of the following reasons: (1) all lands and rights acquired or retained by avulsion, accretion, reliction or otherwise as the result of a change in the boundaries or centerline of any river or stream traversing or adjoining the lands described above; (2) all riparian lands and rights which are or may be incident, appurtenant, related or attributed to Lessor in any lake, stream or river traversing or adjoining the lands described above by virtue of Lessor's ownership of the lands described above; (3) all lands included in any road, easement or right-of-way traversing or adjoining the lands described above which are or may be incident, appurtenant, related or attributed to Lessor by virtue of Lessor's ownership of the lands described above; and (4) all strips or tracts of land adjacent or contiguous to the lands described above owned or acquired by Lessor through adverse possession or other similar statutes of the state in which the lands are located.

For purposes of payment of rentals and royalties, Lessor and Lessee agree that the lease shall be treated as covering 1.0 acres, whatever more or less.

1. It is agreed that this lease shall remain in force for a term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling, re-working or dewatering operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, free of cost, in the pipeline to which Lessee may connect wells on said land, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises.

2nd. The Lessee shall pay Lessor, as royalty, on gas, including casinghead gas or other gaseous substances, produced from the leased premises and sold or used off the premises or used in the manufacture of gasoline or other products, the market value at the well of one-eighth of the gas sold or used, provided that on gas sold the royalty shall be one-eighth (1/8th) of the amount realized from such sale. The amount realized from the sale of gas shall be the price established by the gas sales contract entered into in good faith by Lessee and a gas purchaser for such term and under such conditions as are customary in the industry at the location where the well is located. "Price" shall mean the net amount received by Lessee after giving effect to applicable regulatory orders and after application of any applicable price adjustments specified in such contract or regulatory orders. Lessor and Lessee agree that costs that are customary in the area which are incurred by Lessee in gathering, compressing, dehydrating, and transporting gas to a pipeline or processing plant may be deducted from the royalty paid to Lessor.

3rd. To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of one-eighth (1/8th) of the proceeds, at the mouth of the well, payable at the prevailing market rate.

4. If, at the expiration of the primary term or at any time or times thereafter there is any well on the leased premises either capable of producing oil or gas or subject to dewatering operations, then this lease shall not terminate so long as such well is shut in or such dewatering operations continue. For each such well, Lessee shall pay or tender to Lessor or Lessor's successor or assigns One Dollar per year per net mineral acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in or dewatering commences and thereafter on or before the anniversary date of this lease during the period such well is shut in or is in a dewatering phase. Lessee's failure to pay or tender, or properly pay or tender, any such sum shall render Lessee liable for the amount due but it shall not operate to terminate the lease.

5. If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any amount due as described in paragraph # 4 above) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 500 feet to the house or barn now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or in part. No change of ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with any other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, including shut-in royalties, Lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit and shall be subject to paragraph # 5 above. In addition to the foregoing, Lessee shall have the right to unitize, pool or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental agency having authority to do so and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirement of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. When drilling, production or other operations are delayed, interrupted or stopped by lack of water, labor, material, inability to obtain access to leased premises, fire, flood, war, rebellion, insurrection, riot, strike, differences with workmen, failure of carriers to transport or furnish facilities for transportation of any product produced hereunder, lack of available or satisfactory market, in Lessee's opinion, for the oil or gas produced, or as a result of an order, or any ban on hydraulic fracturing by any city, county, state or government authority, or failure to issue permits, or the approval of any governmental agency, (including but not limited to orders restricting production) or as a result of any cause beyond the control of Lessee, the time of such delay, interruption or stoppage shall not be counted against the Lessee under any provision of this lease, and this lease shall not terminate by reason of any such delay, interruption or stoppage, and period of such delay, interruption or stoppage shall be added to the term of this lease.

16. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

17. In the event Lessor considers that Lessee has not complied with all its obligations hereunder, either express or implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder. This lease shall never be forfeited or cancelled for failure to perform in whole or in part any of its implied covenants, conditions, or stipulations until a judicial determination is made that such failure exists and Lessee fails within a reasonable time to satisfy any such covenants, conditions, or stipulations.

18. If, during the primary term of this lease, Lessor receives, from a third party, in an arms-length transaction, a bona fide offer, which Lessor is willing to accept, to purchase a lease on all or any part of the lease premises with that lease becoming effective on the expiration of this lease, Lessor agrees to immediately notify Lessee, in writing, of the offer, including in the notice the name and address of the offeror, the price offered and all of the pertinent terms of the offer. Lessee shall have 15 days from the date of receipt of Lessor's written notice within which to elect to purchase a new lease on any part of the lands that are subject to this lease at the same price and on the same terms and conditions as specified in the third party offer. All offers made at times up to and including the last day of the primary term of this lease shall be subject to the terms and conditions of this provision. In the event Lessee elects to purchase the new lease it shall notify Lessor in writing prior to the expiration of the 15 day period. Lessee shall promptly furnish Lessor the new lease for execution by Lessor, together with Lessee's payment of the bonus, as specified in the offer, as consideration for the new lease. Upon receipt, Lessor shall promptly execute the new lease and return it to Lessee. Lessee's failure to respond to Lessor's written notice within the 15 day period shall be deemed an election by Lessee not to purchase the new lease. At that time, Lessor shall be free to execute the new lease in favor of the third party offeror.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Lessor:

By Albert J. Rodriguez
Name
Albert J. Rodriguez

By _____
Name

ACKNOWLEDGMENT-INDIVIDUAL

STATE OF Colorado }
COUNTY OF Adams } SS

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 14 day of June, 2017, personally appeared Albert J. Rodriguez to me known to be the identical person(s) described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 2-23-2019

Elizabeth Hitchison
Notary Public
Address:

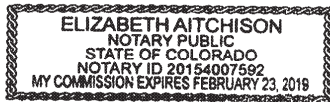


Exhibit B

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

In re:)	Chapter 11
)	
EXTRACTION OIL & GAS., <i>et al.</i> , ¹)	Case No. 20-11548 (CSS)
)	
Debtors.)	(Jointly Administered)
)	
EXTRACTION OIL & GAS, INC.,)	
)	
Plaintiff,)	
)	
vs.)	
)	
ROCKY MOUNTAIN MIDSTREAM LLC,)	Adv. Pro. No. 20-50840 (CSS)
)	
Defendant.)	
)	

DECLARATION OF RYAN PITTS

Pursuant to 28 U.S.C. § 1746, I, Ryan Pitts, declare as follows:

1. I am an attorney with the law firm of Haynes and Boone LLP, co-counsel to Rocky Mountain Midstream LLC.

2. I am familiar with the deposition taken in the above-captioned matter.

3. Attached hereto as **Exhibit B1** is a true and correct copy of excerpts from the Federal Rule of Civil Procedure 30(b)(6) deposition of Extraction Oil & Gas, Inc., through its designated representative, Matthew Owens, conducted on November 16, 2020.

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) (collectively, the "Debtors"). The location of the Debtors' principal place of business is 370 17th Street, Suite 5300, Denver, Colorado 80202.

4. Attached hereto as **Exhibit B2** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 10.

5. Attached hereto as **Exhibit B3** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 11.

6. Attached hereto as **Exhibit B4** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 13.

7. Attached hereto as **Exhibit B5** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 14.

8. Attached hereto as **Exhibit B6** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 15.

9. Attached hereto as **Exhibit B7** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 17.

10. Attached hereto as **Exhibit B8** is a true and correct copy of an exhibit that was marked as Owens Deposition Exhibit 43.

11. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Houston, Texas, on the 23rd day of November, 2020.

A handwritten signature in dark ink, appearing to read 'Ryan Pitts', is written over a horizontal line.

Ryan Pitts, Esq.

Exhibit B1

Exhibit B1 has been redacted in its entirety

Exhibit B2

Exhibit B2 has been redacted in its entirety

Exhibit B3

Exhibit B3 has been redacted in its entirety

Exhibit B4

09-May-2018

Extraction Oil & Gas, Inc. (XOG)

Q1 2018 Earnings Call

Exhibit #

Owens 13

11/16/2020

CORPORATE PARTICIPANTS

Louis Baltimore
Director-Investor Relations, Extraction Oil & Gas, Inc.

Russell T. Kelley
Chief Financial Officer, Extraction Oil & Gas, Inc.

Mark A. Erickson
Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

OTHER PARTICIPANTS

Paul Grigel
Analyst, Macquarie Capital (USA), Inc.

Claire Ye
Analyst, Imperial Capital LLC

Welles Fitzpatrick
Analyst, SunTrust Robinson Humphrey, Inc.

Brad Heffern
Analyst, RBC Capital Markets LLC

David A. Deckelbaum
Analyst, KeyBanc Capital Markets, Inc.

Oliver Huang
Associate, Tudor, Pickering, Holt & Company

Gabriel J. Daoud
Analyst, JPMorgan Securities LLC

Marshall Hampton Carver
Analyst, Heikkinen Energy Advisors LLC

John Nelson
Analyst, Goldman Sachs & Co. LLC

Jeffrey Campbell
Analyst, Tuohy Brothers Investment Research, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. I am Latif and I will be your conference facilitator today. I would like to welcome everyone to the Extraction Oil & Gas First Quarter 2018 Financial and Operating Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions]


Please be advised that the remarks today, including answers to your questions, include statements that the company believes to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements are subject to risk and uncertainties that could cause actual results to materially be different from those currently anticipated. Those risks include, among others, matters that the company described in its financial and operating results news release issued yesterday and its filings with the Securities and Exchange Commission. Extraction disclaims any obligation to update these forward-looking statements.

While the company believes these forward-looking statements are reasonable, they are subject to factors such as commodity prices, competition, technology, and environmental and regulatory compliance, company's drilling schedules, capital plans, and other factors may cause its results to differ materially.

I would now like to turn the call over to Louis Baltimore, Extraction's Director of Investor Relations.

Extraction Oil & Gas, Inc. (XOG)

Q1 2018 Earnings Call

 **Corrected Transcript**
09-May-2018**Louis Baltimore***Director-Investor Relations, Extraction Oil & Gas, Inc.*

Thank you and good morning. We're glad you could join us today for our first quarter earnings call. With us today on the call we have Mark Erickson, our Chairman and CEO; Matt Owens, the company's President; Rusty Kelley, our CFO; Tom Brock, our Chief Accounting Officer; and Eric Jacobsen, our SVP of Operations.

I'd like to remind you that today's call, in addition to the aforementioned forward-looking statements, also includes a discussion of certain non-GAAP financial measures. Please be sure to read our full disclosures on forward-looking statements and GAAP reconciliations in our earnings release and in our filing on Form 10-Q, which we provided yesterday evening after the close of trading.

I'll now turn over the call to Mark Erickson, our CEO to go through some of the highlights for this quarter.

Mark A. Erickson*Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.*

Thanks, Louis. Good morning, everyone. Welcome to our first quarterly earnings call of 2018. Before we go into some details on our first quarter, I'd like to take the chance here to reiterate our long-term strategy. First, we'll continue to focus on improving our capital efficiency through optimizing our well design and operations for the long-term. We continue to remain right on track to become cash flow positive on an all-in corporate basis sometime during the second half of the year. And we'll continue to strengthen our balance sheet, which will be further bolstered by our divestiture program of non-strategic acreage. Once we've finished strengthening our balance sheet, we expect to initiate additional shareholder-friendly uses of our free cash flow.

Now turning to our first quarter results, our total equivalent production grew 4% sequentially, driven almost entirely by crude oil volumes, which grew 7%. Our natural gas volumes were flat, while our NGLs grew 3%. Our ability to grow our crude oil volumes despite largely flat gas and NGL volumes, demonstrates the value of diversification across multiple gas processors allowing us to manage our production, while maximizing revenue.

Crude oil accounted for 78% of our first quarter revenues and over 52% of our volumes. We expect – we estimate that high line pressures and line freezes negatively impacted our production by almost 13,000 BOEs per day during the quarter, including 8,000 barrels per day of crude oil.

Once the new plant comes on, we expect to see a significant uplift in our base production as the constraints are removed. Over the past two quarters, we've been drilling and completing some of our best wells in our company's history, which you can see on pages 11 through 14, both our Niobrara and Codell wells are strongly outperforming our type curves. This is a testament to the quality of our operations and technical teams along with the quality of our acreage.


Given the outstanding performance of the wells we've been turning on recently, we remain confident in our ability to hit our previously disclosed 2018 guidance. And this bodes very well for us long-term.

During the quarter, we turned to sales 31 gross, 18 net wells, all on the Western Gas gathering system. We will continue turning wells on to systems other than DCP until their new plant comes on later this summer.

On the operational side, we remain right on track with our drilling and completion capital budget. And while our lease operating expense came in higher on a per unit basis than we were forecasting internally, that was really

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just a function of lower than expected gas and NGL volumes, as we worked through the near-term constraints. But keep in mind, it's the oil that's the real driver of our economics and cash flow.

I'm extremely proud of what we've built here when I look at the capabilities of our team combined with our decades of extremely high quality drilling inventory. And while many of you are focused on the midstream picture over the next two or three months, I want to remind you all that the DJ Basin is currently undergoing the largest midstream capacity expansion in its history, with several different projects underway and even more planned from multiple different companies across the basin.

Before we open this call up to Q&A, I'd like to thank everyone for your time on the call today and for your continued support. If we're not able to get to your questions today, please feel free to reach out to one of our team and we'll always make ourselves available to you.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from the line of Paul Grigel of Macquarie. Your line is open.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

Hi. Good morning, guys. Could you expand a little bit maybe looking past the next couple of months as you look into the back half of 2018 and then more into 2019 on just the plant expansions and the build-out and if this is an issue that should be relatively solved over the next couple of months and just the view that you have on that one?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Sure. After DCP comes on early Q3, we expect to see a third-party midstream plant come on. And then as you look forward over the next couple of years, we're seeing almost a doubling of the existing capacity in the basin.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

And in terms of timing that should be sufficient for managing through the continued growth plan in 2019 that you guys have in your internal plans laid out?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Yes. With our diversified acreage position, our ability to go to multiple plants, we'll look at systems that may potentially be constrained, we'll be staging our production into those systems as they get expanded and we'll be actively developing and targeting systems that have available capacity.

Paul Grigel


Analyst, Macquarie Capital (USA), Inc.

Q

Okay. And I guess, just turning a little bit to the asset sales that you guys closed, any update or color you can provide there? And then what's the thought going forward on continued asset sales for the rest of the year?

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A

Sure. So you've seen that we went ahead and closed the \$72 million, that was largely from folks that proactively came to us, so those were done very quickly. As mentioned previously, we did engage an advisor and are actively in a marketing process as we speak, so we're not done. And so far we're seeing very good and positive interest in the remaining packages that we're marketing just given the commodity price and the well results around the areas that we're marketing.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

And on a going forward basis, I would just look at kind of our asset sale strategy is really portfolio management. We're always going to be looking for opportunities to move stuff from the backend of our drilling inventory and replace it with higher working interest in the front end of our drilling inventory ahead of our bit. So I would just kind of look at asset sales are part of our ongoing business and we'll be using those to offset any spend on increasing working interest and such, as we consolidate and block and tackle on ahead of the drill bit.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

Okay, that's helpful. Thank you very much.

Operator: Thank you. Our next question comes from Welles Fitzpatrick of SunTrust. Your line is open.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hey, good morning, and congrats on the solid quarter.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Thanks.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q


I was wondering can we talk a little bit about these two, the two operated pads a little bit north of Denver in the Hawkeye Area? I mean, obviously, those are a little bit between sort of the legacy core area and the newer Arapahoe test and can you talk to the completions there and maybe the spacing as well?

A

Yeah. I can give a brief update on what we've been doing up in that area. So, we drilled two pads just northwest of Denver, Denver International Airport. If you look on page 17, you can see a circle up there that shows the area of the six new wells that we drilled. One of the pads was on the eastern side of that circle and the other pad was on the western side. We drilled both Codell and Niobrara formations on each one of those pads. We just recently turned those pads on.

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And the pad on the eastern side, we've got one Codell and one Niobrara there that have been online for roughly 30 days. The Codell has been increasing in production as well as the Niobrara, the Codell is up to about 600 BOE a day with the Niobrara up to 800 BOE a day, normalize the two miles and both are producing at about 85% oil cut.

On the pad on the western side, that pad just recently came on within the last five days, so only two of the wells, one Codell and one Niobrara, have been producing for about five days. Codell is up to 950 barrels of oil equivalent per day, while the Niobrara is up to 725, and those are both also averaging in the mid-80s for a percent oil. So, we're really encouraged early time with what we're seeing there, but typically we don't like to start showing production plots until we've got 90 or more days of production.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

No. Fair enough. Do those oil cuts surprise you guys a little bit? That seems pretty high for that area. Is that – am I just missing something there or is that something that was better than what you all had modeled?

A

The way that the oil cuts – that we look at the oil cuts really has to do with the API of the gravity of the oil. And in this particular area, just northwest of the airport there, we're in the low to mid-40s, which is about the same as Windsor. So we expected internally for these to come on similarly to the Windsor wells which they are. The Windsor wells, if you remember, last year they all came on about mid-80s on a percent oil as well.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. Perfect. And then if we can jump to slide 13 and kind of forget about the DCP wells, we all know what's going on there but can you all talk to the spread on the Western results? Is that a completion thing? Are there still some pressure issues or what's going on there?

A

So the spread on that plot for the blue lines on page 13 that really has to do with lateral lengths. So the wells that come on higher early time on a per-thousand foot or normalized basis are the 1 mile wells. And then the 2 mile wells, you can see, are the ones that come on a little bit closer to the type curve, but they have a much straighter line because they're choked back more than a 1-mile well is. So the 2-mile wells you can definitely tell which ones are 2 miles versus which ones are 1 mile just looking at the profile of the curve.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.


Q

Okay. Okay. Perfect. And then just one last one, any update on those Broomfield permits? I think we're expecting them maybe sometime early summer.

A

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Yeah. I think that's still the timing that we're looking for. We've got the 14 permits that have already been approved and 10 of those have actually already been drilled and are being completed. The rest of Broomfield has had all of the permits submitted except for half of one pad. So we virtually have about 85% or so of the permits submitted that we wanted to develop our acreage there and they're all now sitting with the state waiting approval.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Okay, perfect. That's all I have. Thanks so much.

Q

A

Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of David Deckelbaum of KeyBanc. Your line is open.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Hey Mark, Rusty and Matt, thanks for taking my questions and Eric.

Q

A

Hi.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

And Mark, I know in the prepared remarks, that there was, obviously, the downtime in the first quarter. Just thinking about with your tie-ins in the first half of the year being on the Western side, do you expect incremental downtime in the second quarter on top of that 13,000 a day or, I guess, how do we think about the quarter kind of shaping up here going into 2Q? And I know, obviously, there you'll get the benefit of line pressures alleviating in the third quarter, so it'd be helpful if you could remind us how many wells you are planning to bring online in the third quarter.

Q

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

Sure. I mean, our growth in the second quarter is going to be driven largely by wells that we're trying into the Western Gas system and Discovery system. If you look at DCP, I would say in the first quarter one of the things that surprised us a little bit was the amount of freeze-offs that we had on the system, and as the line pressures came up, it really just got in the window where hydrate formation was very likely and we fought hydrates all the time.

A

So we could see, I would say, fairly flattish on the DCP system with the possibility of a little bit of incremental production there as we get some of the freeze-offs cleared. But most of our growth in Q2 was going to be driven by our stuff going into Western. In Q3, you should see probably the largest sequential ramp of the year. And that's as a result of the new wells that we're adding into Western, as well as DCP coming online where we should see

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the uplift in our base production, as well as we do have a significant pad similar to Triple Creek time for the opening up of the new DCP plant.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

I appreciate that, it's helpful. Also just interested if you could give us an update on any of the midstream conversations you've been having, particularly around the build-out in the Arapahoe Area and some of the Broomfield Area?

Russell T. Kelley

Chief Financial Officer, Extraction Oil & Gas, Inc.

A

Sure. This is Rusty. Those continue to go very well. We are largely moving toward our goal in line with what we've communicated to the market previously about looking at joint ventures or third party financings with folks. We should have an update here very shortly. It's not completely done, but it is moving in the direction that we want and is largely there. So, stay tuned for more updates, but very positives.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. Thanks, guys.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Thank you.

Operator: Thank you. Our next question comes from the line of Gabe Daoud of JPMorgan. Your line is open.

Gabriel J. Daoud

Analyst, JPMorgan Securities LLC

Q

Hey, good morning, everyone. I guess, just a quick one from me. Is there an update on those two Northern extension wells that I think were turned on maybe earlier this year? Any thoughts on those or any update there?

A

Those wells were completed at the very end of last year and we really started flow back right around Christmas time. So, we're letting some of them flow naturally to see what the reservoir pressure is going to do and then we're also experimenting with different types of artificial lift on them up in that area. And we'll release the results once we get more production results or data on how the artificial lift changes affect the volumes.

Mark A. Erickson


Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

We remain pretty optimistic by what we're seeing by our wells as well as third parties up in that area. There's been a lot of interest in our leasehold position up there. I think probably following up to some of the stuff with HighPoint and as well as some of the private equity companies that are out there. So, we continue to follow it and we're benefiting greatly from all the work that's being done by offset operators to our acreage position. I still

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believe there's stuff to be learned up there on the best completion techniques and so you all stick with us here on this. We think there's a lot of value there.

Gabriel J. Daoud

Analyst, JPMorgan Securities LLC

Okay. Great. Thanks a lot, everyone.

Q

A

Thank you.

Operator: Thank you. Our next question comes from the line of John Nelson of Goldman Sachs. Your question, please.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Good morning and congratulations on the quarter. I guess, following up a bit on Dave's question, and I'm not sure that we have kind of all the data to know what your volume allocation is between DCP and Western, so, can you just maybe comment on how we should think about sequential oil growth in 2Q?

Q

A

Our current split of production in the first quarter were about 70% DCP and that's growing – that should grow significantly in the second quarter with all the wells that we turned on to the Western system halfway through the first quarter. The oil volumes on the Western wells will continue to grow. The DCP system, it'll be just like the first quarter, will be fighting the high line pressures along with the line freezes that have been happening.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

But remember in third quarter when we turn on the next pad up in Greeley, you'll see a significant ramp up in our DCP volumes going into that system. But the growth in the second quarter, like we stated, will continue to be driven by our Western Gas operations.

A

When you think of oil mix that, we're all kind of in the similar areas within the [ph] Balta (00:19:58) of oil window. So similar to the results that Matt announced on our stuff in the Hawkeye Area, we would expect most of our acreage even in the Western and Southwestern parts of our acreage position to behave similarly.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Okay. Just to make sure I kind of heard that right. So 70% of volumes are on DCP. So even with maybe the Western benefit, we should still think something kind of sub 5% kind of on a total company basis sequentially for 2Q, is that fair?

Q


Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

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Now, we haven't given any guidance on Q2.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

Okay. I guess, maybe to come out another way, we weren't really sure what to do with the 13 MBOE number. As you've had these freeze-offs and kind of line pressure to some degree it was expected, as we look at your full year guidance number, should we think about these may be surprising us and we should be more in the bottom end of that range for the full year or has kind of the setbacks really not caused that much of a downside relative to the full range you guys originally laid out?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

When you think of the freeze-offs, I mean, both wells are producing flat instead of – at a lower rate instead of being at a higher rate and declining. On a full year basis, we really expect them to produce a similar amount, which is why we haven't – we reaffirmed guidance. What we're kind of trying to say to people in your modeling and to help you guys out there a little bit is kind of expect our volumes going at DCP will kind of flattish to potentially up just a little bit in Q2 as a result of maybe cleaning up some of those line freezes, but the growth will be driven by the development in the wells that we turn in line on the Western Gas system, which should flow unconstrained.

And then when you get into Q3, Q4, a lot of our production growth is going to be driven by the large pad. I think it's in the neighborhood of 20 or 22 wells of 2-mile long laterals that are going to be turned on in the Greeley area. So that's where we'll get our big sequential step up for the back half.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And then just one other for me. Have you guys dedicated the Hawkeye acreage to midstream providers or are you guys funding some of that build-out for the time being?

Russell T. Kelley

Chief Financial Officer, Extraction Oil & Gas, Inc.

A

As previously communicated, we – the midstream build-out, we anticipate will be done off of Extraction's balance sheet, whether it'd be through dedications or through third-party financing that's non-recourse to Extraction. So, again, we're very close to wrapping all of that up. So I want to be quiet on until we have the whole thing completed, but that again continues to go very much in line with what we've previously communicated.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

Great.

[indiscernible] (00:23:06)

Mark A. Erickson


Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

But we don't really anticipate – we don't anticipate stepping into the shoes of a traditional gathering processing company or something like that. When we look at taking care of our needs, we're looking at really from like a CGF

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back to the well as something that Extraction would want to operate and maintain control of, whereas from the said CGF through the upstream or the downstream part of the business we would look to be doing that through joint venture or traditional contract with third parties.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

Great. Thanks for taking the questions. I'll let somebody else hop on.

Operator: Thank you. Our next question comes from the line of Irene Haas of Imperial Capital. Your line is open.

Claire Ye

Analyst, Imperial Capital LLC

Q

Good morning. This is Claire Ye asking in the place of Irene, and just following up on that Northern areas, and now that HighPoint has acquired Fifth Creek, so any upcoming well results that we should pay attention to?

A

From us, we only have the two wells that we drilled and completed right at the end of last year. I believe HighPoint or when they acquired Fifth Creek, they had a decent amount of drilled and uncompleted wells that they'll be moving up and completing this quarter. So we could look forward to those results.

Claire Ye

Analyst, Imperial Capital LLC

Q

Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Brad Heffern of RBC Capital Markets. Your question please.

Brad Heffern

Analyst, RBC Capital Markets LLC

Q

Hey good morning, everyone. Wanted to start with sort of a philosophical question, I guess. So you have this chart in the deck slide 8 that shows XOG being the lowest multiple in the group, but one of the highest CAGRs. That's kind of how we see it here too. So I was just wondering any thoughts about why you think that that's the case and anything you can do about it if there is anything?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

I – really we've got a great business plan, a great story, the company. We've got decades of high quality drilling inventory. We've very much demonstrated our management's team and ability – and management and operations team's ability to execute. And from our standpoint, we're going to hit free cash flow in the second half of the year and as we move through the cycle, we're really looking at the long-term business strategy for the company, and we're not stock pickers or price pickers, we'll let the market watch our performance and judge for itself.


Brad Heffern

Analyst, RBC Capital Markets LLC

Q

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Okay. I know it's kind of a tough question to answer. Thanks for that. And then, I guess, on the 13,000 barrels a day that you guys called out, I noticed that the oil percentage on that was higher than the oil percentage for the portfolio. So, is that just related to where the freeze-offs were or any other color on why that would be the case?

A

Yes. That's exactly what it was. So, it came mostly from freeze-offs and then even Triple Creek has been producing above 55% oil, but then the remaining oil percentage above that was the newer wells in the Windsor area that we've turned on that's come online at that 80% to 85% oil number and some of those had line freezes that affected them for anywhere from one to two weeks during the quarter, so we lost a decent amount of oil percentage volumes there.

Brad Heffern

Analyst, RBC Capital Markets LLC

Okay. Thanks. Appreciate it.

Q

A

Thanks.

Operator: Thank you. Our next question comes from Oliver Huang of Tudor, Pickering, Holt. Your line is open.

Oliver Huang

Associate, Tudor, Pickering, Holt & Company

Good morning, everyone, and thanks for taking my questions.

Q

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

Good morning.

A

Oliver Huang

Associate, Tudor, Pickering, Holt & Company

Just on the operations side of things, completely understand that early 2017 wells were choked back to bring online new higher oil cut DCP oil to flow but I was wondering if you could provide some more color on what is driving the uplift on the front end of the wells in the back half of the year comparatively speaking to those in the first half of the year. And I think I'm referring to what I'm seeing in slides 11 and 12?


Q

A

So for that I would attribute a lot of that to the way that we're bringing these enhanced completions online versus the way that we originally did. So we've adjusted our choke management on some of the enhanced completions given the much larger volumes that we pump on the fracs. So, we've been bringing them on on larger chokes than we traditionally did back in 2015 and 2016. And when we did the initial enhanced completions, we wanted to keep the same smaller chokes that we used to use on those wells to try to see if we can correlate actually better reservoir deliverability instead of just having a higher IP number because of the larger choke. So we've kind of

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thrown and gotten more efficient in the way that we're bringing these on online early time, and I think it's really benefited the production for the first 6 months to 12 months.

Oliver Huang

Associate, Tudor, Pickering, Holt & Company

Q

Thanks. Appreciate the color there. And just as a follow up with the news on White Cliffs recently, and the partial NGL conversion of that pipe, any impact to your longer-term plans? I know you all are an anchor shipper on Grand Mesa, so I figure you all are pretty well-positioned there, but just curious on your take.

A

Well, I think it points to the fact that we chose the right pipeline in Grand Mesa in that it's a batch system and you can run multiple grades in it. It's good news because it provides additional takeaway capacity for NGLs as all these new processing plants come online. And the other kind of look on it is, longer-term as development ramps up in the basin, it can take our transportation and turn that into a real asset for the company.

Oliver Huang

Associate, Tudor, Pickering, Holt & Company

Q

Okay. Thank you. That's all I have.

Operator: Thank you. Our next question comes from the line of Marshall Carver of Heikkinen Energy. Your question, please.

Marshall Hampton Carver

Analyst, Heikkinen Energy Advisors LLC

Q

Yes. How many wells do you plan to put into sales in 2Q in the Western Gas system, and what would be the timing of those wells?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

We haven't provided any quarterly guidance on numbers of wells. But we do – we will be on track and will achieve the similar number as what we've offered up in our guidance, but...

A

Firstly, everything we turn online in the second quarter will be going into Western Gas, and I would expect the actual gross well numbers to be relatively similar to Q1 with a lot more coming in Q3 with the DCP DUCs that we're completing in the second quarter.

Marshall Hampton Carver

Analyst, Heikkinen Energy Advisors LLC


Q

Okay. Thank you.

Operator: Thank you. Our next question comes from the line of Jeffrey Campbell of Tuohy Brothers. Your question please.

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Jeffrey Campbell

Analyst, Tuohy Brothers Investment Research, Inc.

Q

Good morning. I just want to check in on rigs and completion crews, your outlook said that it reflected two plus rigs and two plus completion crews, I'm just wondering because you kind of update what you're running right now and maybe some cadence for the rest of the year.

A

Yeah. So we manage the drilling and completion crews to match up with our capital guidance. So with the rigs getting faster and faster, we don't need as many rigs this year as we did last year to drill the same amount of net wells. So we'll be picking them up and dropping them periodically just really one rig. For the completion crews, we've got two full time crews running for us at all times and then we've got another – again a third one that we'll use periodically when we need it.

Jeffrey Campbell

Analyst, Tuohy Brothers Investment Research, Inc.

Q

Okay. Great. Thank you.

Operator: Thank you. Our next question is a follow-up from David Deckelbaum of KeyBanc. Your line is open.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

Thanks, guys. Just trying to listen to the two question limit rules, but I wanted to queue back and just ask, in your sort of historical experience of the Windsor area and maybe some in the line pressures in 13 and 14, did you see a sort of full return to production from impacts of line pressure issues and constraints? I guess and how we think about this getting into the third quarter is the probability here that that we see sort of that the full volumetric impacts coming back in the third quarter?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Yeah, based on what happened a couple of years ago when line pressures were close to this level, we did see most of the wells come back above the type curve that they should have been on at that point in time, had there been no constraints. Only difference is how long will it take to make up that volume. So, I wouldn't expect if a well was producing under curve for six months because it was choke back, it's not going to make that entire volume back up in the first 30 days, but it will make it up based on past experiences, but it would probably take more like a quarter or two.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q


That's helpful. Thanks for the follow-up, guys.

A

Thank you.

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Operator: Thank you. At this time, I'd like to turn the call back over to Mark Erickson for any closing remarks. Sir?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

Again, I'd just like to thank everybody for participating in the call this morning.

Operator: Thank you, sir, and thank you, ladies and gentlemen, for your participation. That does conclude today's conference. You may disconnect your lines. Have a wonderful day.

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. I am Ayela and I will be your conference facilitator today. I would like to welcome everyone to the Extraction Oil & Gas Second Quarter 2018 Financial and Operating Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. [Operator Instructions]

Please be advised that the remarks today, including answers to your questions, include statements that the company believes to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements are subject to risk and uncertainties that could cause actual results to be materially different from those currently anticipated. Those risks include, among others, matters that the company described in its financial and operating results news release issued yesterday and its filings with the Securities and Exchange Commission. Extraction disclaims any obligation to update these forward-looking statements.

While the company believes these forward-looking statements are reasonable, they are subject to factors such as commodity prices, competition, technology, and environmental and regulatory compliance, company's drilling schedules, capital plans, and other factors may cause these results to differ materially.

I would now like to turn the call over to Louis Baltimore, Extraction's Director of Investor Relations.

Louis Baltimore

Director-Investor Relations, Extraction Oil & Gas, Inc.

Thank you and good morning to everyone. We're glad you can join us today for our second quarter earnings call. With us today on the call we have Mark Erickson, our Chairman and CEO; Matt Owens, the company's President; Rusty Kelley, our CFO; Tom Brock, our Chief Accounting Officer; and Eric Jacobsen, our SVP of Operations.

I'd like to remind you that today's call, in addition to the aforementioned forward-looking statements, also includes a discussion of certain non-GAAP financial measures. Please be sure to read our full disclosure on forward-looking statements and GAAP reconciliations in our earnings release and in our filing on Form 10-Q, which we provided yesterday evening after the close of trading.

I'll now turn over the call to Mark Erickson, our CEO, to go through some of the highlights for this quarter.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

Thanks, Louis. Good morning, and welcome to our second quarterly earnings call of 2018. I want to touch on a few highlights today, and then we'll open it up to Q&A.

I want to first say congratulations to our operations team for hitting our internal crude oil production forecast in the face of an extremely difficult operating environment out there in the field. I'd like to touch on the Midstream Solution in the Southern DJ Basin that we announced in early July, which unlocks a decade of very high quality development on our acreage in Hawkeye, Broomfield, and Boulder County.

We announced that Elevation Midstream, our wholly-owned subsidiary, has secured preferred equity financing from GSO Capital Partners that is non-recourse to Extraction. This capital will be used to build out oil, natural gas,

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and water gathering systems along with two central gathering facilities and associated high pressure discharge compression.

We expect this to also enhance our upstream asset value through lower well facility capital, lower LOE, greater product capture and higher flow assurance. Extraction also retains 100% of the common equity of Elevation, which I believe will yield big upside for our shareholders. In fact, we have already had offers from parties interested in taking an ownership stake and we are evaluating how best to highlight value for Extraction shareholders.

Discovery Midstream will be processing our gas in our elevation area. So we can now say that our future development will utilize Western Gas, Discovery and DCP for gas processing, which gives us what we think is the most diversified portfolio with respect to gas processing of any operator in the DJ Basin. Furthermore, the DJ Basin is currently undergoing the largest midstream capacity expansion in its history with several different projects underway, with multiple operators across the basin, providing us with great flexibility and diversity with respect to gas processing.

While we have encountered considerable midstream difficulty on DCP's system to date, which has materially impacted our base production, our new wells over the last four quarters have delivered outstanding oil performance and have compensated for much of the DCP impact on base oil. Additionally, most of our current activity and nearly all of activity over the next nine months will focus outside of DCP's system and on other gas processors that I mentioned.

About 63% of our total production was on DCP during the second quarter. Thus, DCP's Plant 10 and 11 timely startups still remain important to Extraction. On the subject of DCP's Plant 10, it is up and running and it's expected to ramp to full capacity over the next several weeks. We want to get a good feel for how it will play out prior to updating our guidance later this quarter. We've managed to hit our internal oil projections during the first two quarters and that's going to be our primary focus for the rest of the year, since the bulk of our revenues come from oil sales.

Quickly touching on our asset sales process, our current total is approximately \$155 million. The process is ongoing, and we are currently evaluating multiple opportunities for further non-strategic asset sales.

I would like to thank everyone for your time on the call today. Operator, let's open the call up for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question is from the line of Gabe Daoud with JPMorgan. Your line is now open.

Gabriel J. Daoud
Analyst, JPMorgan Chase & Co.

Q

Hey, good morning, everyone. Appreciate the prepared remarks, Mark. But I guess I'll try a DCP question and understand the plant that just started about a week ago, but can you give us a sense of what line pressures look like today and then, I guess if the thinking is still to turn on about 25 wells at the Greeley area at some point in the third quarter?

Mark A. Erickson
Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Sure. I'll have Matt answer this question. Line pressures on DCP.

Matthew R. Owens
President & Director, Extraction Oil & Gas, Inc.

A

The line pressures, right now, the plant hasn't run for really a full 24-hour period yet. They're still in the process of starting it up. So, line pressures have been pretty much the same up until now as they were in June, July. So we'll see over the next few weeks once we get consecutive runtime out of that plant and the new compressor station they turned on in July what that does to the pressure drawdown across the entire system.

Mark A. Erickson
Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

So also, Gabe, we are seeing the lowest line pressures that we've seen in the last 10 months, so that part of it is very encouraging, even though the plant is just starting up. The reason, when we look at updating guidance later in the quarter, the main drivers with DCP are obviously the new Greeley pad which we're in the stage of turning on, as well as our Triple Creek pad which was considerably constrained. Between those two pads, it's about 42.5 mile long well. So, you can see that that would have a very material impact on our future production and how DCP is lowering line pressures.

Gabriel J. Daoud
Analyst, JPMorgan Chase & Co.

Q

Got it. That's helpful. Okay. And then I guess just moving on to – on the asset sale front you hit your target in terms of proceeds for this year, fully offset your land budget. Could you maybe just talk a little bit more about the non-strategic assets you're continuing to evaluate and maybe any thoughts on a new proceed target for the remainder of 2018?


Mark A. Erickson
Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Well, the recent sale of our small interest in Discovery was a really nice windfall. We don't look at that as taking the place of other planned activity. And we also look at asset sales as just a continuing activity as part of our business strategy. We're always going to be looking to move stuff off the back end of our drilling inventory and

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replace it, particularly try to increase our working interest in near-term drilling, which is the most impactful to the company and its shareholders. So, I would just say we're continuing with the process and there are other opportunities out there. We're in discussions with multiple parties and it's nice not to have a gun to our head. We can make good decisions and just look at this as part of our ongoing business.

Gabriel J. Daoud*Analyst, JPMorgan Chase & Co.*

Q

All right. Thanks a lot everyone. I'll have someone else ask about ballot initiatives. Thanks again.

Operator: Our next question is from Welles Fitzpatrick with SunTrust. Your line is now open.

Welles Fitzpatrick*Analyst, SunTrust Robinson Humphrey, Inc.*

Q

Hey, good morning.

Mark A. Erickson*Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.*

A

Good morning.

Matthew R. Owens*President & Director, Extraction Oil & Gas, Inc.*

A

Good morning.

Welles Fitzpatrick*Analyst, SunTrust Robinson Humphrey, Inc.*

Q

Yeah. I think I'm going to let someone else ask about ballot initiatives too. Sticking with DCP, on slide 16, you obviously have an uptick in those constrained average wells, supposed to get less constrained. Is that more a function of the compression that was put on and does that give you guys confidence that these higher EURs that you've been seeing or I guess I should say, the higher curves that you've been seeing on the unconstrained wells is going to be pretty broadly applicable across your acreage position?

Matthew R. Owens*President & Director, Extraction Oil & Gas, Inc.*

A

Yeah. So on that slide 16, I'd say really from about day 240 on, that slower increase was more due to the compression coming online. And then the last couple days where you see that jump up, that would be a combination of the compressor station being online, and the initial effects that we're seeing from the plant helping reduce line pressures slightly at that pad. So we're very encouraged by what we're seeing every day as the line pressures continue to ease up a little bit and we're able to open the chokes ever so slightly more on those wells to be on the same choke settings that the wells that make up the blue line are.


Welles Fitzpatrick*Analyst, SunTrust Robinson Humphrey, Inc.*

Q

Okay. That makes sense. And then so you guys obviously – you're talking about kind of tweaking guidance. Should we think of that – I mean, if I remember correctly really aside from this next slate of wells that you're bringing on, the next two or three quarters are largely outside of the DCP system, should we think of this kind of

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effect that's being illustrated on slide 16 what it does to your existing wells? Is that really the biggest sort of lever on what's going to shift guidance?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

The major impacts from DCP, I mentioned already the two Greeley pads and the high potential deliverability from those pads. The other major impact from DCP was on our base production, our kind of legacy production, that had come off its peak rates and has the nice stable base with shallow decline. That's tough. Because it had a little bit higher percentage of gas, we choked those wells back substantially in order to make room for new wells that had higher oil cuts. That's one of the ways that we were able to manage our production to optimize our oil sales. So, those are really the two keys on DCP that really can provide us with a big uplift as that plant ramps up.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay, okay. Perfect. And then maybe if I can just sneak one last one in here. Obviously, production guidance is in flux. It seems like costs have generally been in line with what you guys think, maybe a little bit of an uptick, but is that a correct interpretation that when you guys talk about renewing or changing guidance, you're largely talking about the production side of it, not CapEx?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

We are. We're not going to reaffirm our CapEx guidance or any other guidance right now, but the kind of read-through is, if we're able to achieve our oil production numbers or even close to it, we should be really good on revenue. For the quarter, we beat on revenue and that was largely a result of being able to achieve our oil production. I think oil made up like 82% of our revenue. So, that is the big driver. And if we can hit our revenue numbers, we will probably maintain our CapEx. Obviously, we have the ability that if there's something happens with DCP such as that it would constrain our flows and reduce revenue, we've got the ability to reduce our CapEx and adjust.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

Thanks.

Operator: And our next question is from Jeffrey Lambujon with Tudor, Pickering, Holt & Company. Your line is now open.

Jeffrey Restituto Lambujon


Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Good morning. Thanks for taking my questions. My first one is on asset sales. As we think about you having already exceeded the previous target, can you just remind us how you plan to prioritize or I guess how you're thinking about prioritizing the use of proceeds for anything incremental to that initial target? I know you mentioned

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continuing to increase working interest. Just wondering if we should expect the land spend to increase commensurate with more success on the modernizations.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Any excess or additional sales along with any free cash flow that could occur in Q4, first use of that will go towards reducing our RBL.

Jeffrey Restituto Lambujon

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Got it. Thanks. And then on DCP, again recognizing it's only been a week, any color on your internal expectations for just how throughput actually ramps up over the next few weeks?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

I'd say we got – the plant has some early maintenance that it will probably have to do this week just to check how the startup has been going, but after that it should be running close to full time. And like I said earlier, I think it will take a couple of weeks to actually see with the pressure drawdown across their entire system is once that plant is up and running continuously.

Jeffrey Restituto Lambujon

Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Got it. Thank you.

Operator: Our next question is from David Deckelbaum with KeyBanc. Your line is now open.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

Good morning, Mark, Matt, and Rusty, thanks for taking my questions.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Good morning.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

Good morning.

David A. Deckelbaum


Analyst, KeyBanc Capital Markets, Inc.

Q

Recognizing that you guys plot well certainly coming out of the Western Gas System is exceeding the oil type curve. Curious for the remaining tills that you guys have, 100 plus or so in the back half of this year that you'd planned. What percentage of those would go into the Western System versus DCP, and as we think about 2019, you've highlighted that 75% of your acreage is sort of off the DCP System. How do we think about sort of the mix of wells that get tied into DCP versus non-DCP over time?

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Eric Jacobsen

Senior Vice President-Operations, Extraction Oil & Gas, Inc.

A

Good morning. This is Eric Jacobsen. As far as the remainder of this year, all of the tills except for those that we have coming on right now commensurate with the DCP plant ramp up will be off of DCP for the remainder of this year on either the Western Gas System or the Discovery System. And that's the case for the better part of the next nine months until DCP's next plant, 11 comes on in some time in 2Q of 2019 presumably. And then as we go onward over time, our well count and tills off of DCP and onto Discovery primarily but also Western starts to migrate largely towards Discovery and Western and off of DCP more so as time goes on and we progress towards our fantastic Southern acreage position that is aligned to our Elevation Midstream Solution in the Hawkeye and in Broomfield, Boulder areas as Mark said earlier.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

Appreciate the color, Eric. Just as a follow-up, Mark, you kind of threw out the teaser on folks you're already getting in-bounds on some of the equity for the Elevation business. As you constructed this plan internally, do you sort of have like a planned timeline for a full or partial exit? And when is sort of the ideal time that you see to sort of seek a significant monetization there?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Optimally, in the 2020 timeframe, as we are ramping up our production in both Hawkeye and Broomfield, you'll really – the volumes on our system will ramp up and, obviously, the value concurrent with that. So ideally, kind of a two, three-year timeframe is kind of where we're looking at as kind of optimization on value. However, in the near term, looking at our monetization of our interest in Discovery, that was a very forward-looking transaction and was actually valued at about 5 to 6 times projected EBITDA on that system in 2020. So it was a really nice marker for us. And we would like to look at doing something short term. Obviously, we don't have to. But if we can, we'd like to highlight value to our shareholders of that system.

David A. Deckelbaum

Analyst, KeyBanc Capital Markets, Inc.

Q

Absolutely. Understood. I'll let somebody else ask some questions. I'll queue back in. Thank you.

Operator: Our next question is from Paul Grigel with Macquarie. Your line is now open.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

Hi. Good morning. Just on – I know you guys are kind of look into the fourth quarter and the rest of the year. Mark, you mentioned kind of aiming still for being free cash flow positive in the fourth quarter realizing that operations kind of take time to move around. Is the goal still to be free cash flow positive if oil is a little bit more constrained? Is it kind of operation and if that flips into 1Q 2019? Just trying to understand how you guys think in the short-term tactical side on operations with some of the constraints on DCP up there in Greeley?

Mark A. Erickson


Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Sure. We expect really the DCP plant to be in full swing in Q4 and knock on wood that our production responds accordingly. When we originally looked at hitting free cash flow on Q4, that was with like a \$55 price deck. With

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\$55 though, we had the benefit of higher natural gas production. Right now, if we can hit our volume figures in Q4, and even with a lower commodity price, we would have a very high likely that we'll be able to achieve free cash flow. With the higher oil price and hitting our oil numbers, we should be able to achieve it as well. So, we still feel good about that. Obviously that's one of our management incentives. We get paid to live inside a free cash flow and we're going to do it.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

That's great. Thanks. And then, I guess I'll be the one to do it. Could you guys provide your thoughts on Initiative 97 in the news stream from this week?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Sure. Probably a couple of us will chip in on this. But firstly, I would like to just say some cautionary words with respect to the indicated 170,000 signatures. I mean, that basically is the people that gathered signatures, that's their estimate. I would say that they haven't always been the most reliable source of information in the past. And so that's something that I would kind of think about.

There's also going to be very vigorous challenges in validating signatures and looking at this. So it's quite a process just to get the initiative on to the ballot, and we're not going to know for probably two or three weeks just on counts of signatures and maybe early indications on kind of what percentage will be valid. And then in the event that it does get on the ballot, this is state-wide across all business lines, just a material impact in the state of Colorado and there will be a very vigorous effort in educating the voting public with respect to the major massive economic impacts to the state of Colorado.

And when you look at kind of messaging and, of course, we've done this in anticipation of this, when you get that message out about reducing revenues to the schools by 20%, the \$30 billion of economic impact to the state from the industry, the massive amount of income taxes, employment taxes, severance, ad valorem taxes, property taxes that come from the oil and gas industry. The polling indicates that the voting public once they understand those impacts are pretty solidly opposed to this referendum. So there's a lot of different fronts here and there's a lot more to be seen and learned as we move forward through the process. It's still not certain that it'll end up on the ballot.

Paul Grigel

Analyst, Macquarie Capital (USA), Inc.

Q

Thanks.

Operator: Our next question is from Gail Nicholson with KLR Group. Your line is now open.

Gail Nicholson

Analyst, KLR Group LLC

Q

[Technical Difficulty] (23:15-23:23) kind of what you're seeing difference wise if anything in the north and the south area and [Technical Difficulty] (23:27-23:32)?


Louis Baltimore

Director-Investor Relations, Extraction Oil & Gas, Inc.

A

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We're having trouble hearing you.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

Sorry. The question cut off there.

A

Operator: [Operator Instructions] Our next question is from John Nelson with Goldman Sachs. Your line is now open.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Good morning.

Q

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

Good morning.

A

John Nelson

Analyst, Goldman Sachs & Co. LLC

I wanted to come back to kind of the midstream announcement that was made kind of inter-quarter. Could you fill us in on what the capital spend for Elevation will be through 2020, and it is a 5 times to 6 times build multiple, a good ballpark for us to be in as we're thinking about potential EBITDA generation of the business?

Q

Russell T. Kelley

Chief Financial Officer, Extraction Oil & Gas, Inc.

Hey, John, this is Rusty. We haven't disclosed the pace of CapEx on the midstream. Some of that is we're watching the timing of our [ph] permits, et cetera (24:24) which as you've seen some announcements by the COGCC, we did get the green light on the remaining permits. So we're feeling good about that. We are going to begin investments shortly is our expectation. With regard to forecast for EBITDA, likewise, we haven't announced that to the market yet though we do reserve the right to do so. We're running a number of internally generated scenarios. Obviously, our pace of development with DCP, if we do more on it versus more off it, could affect the timing of how quickly those volumes ramp up.

A

We are, as Mark said, very excited about the critical mass here under any scenario but we'd like to give it another short time period. We do expect though in the future we will be more transparent. But we'd like to, given the implications that that could be looked at as kind of guidance, with regard to activity, we're probably going to match that with the timing of forward guidance in 2019 plus going forward.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Okay. The initial slog, it seemed like it could be upsized, but the initial slog of the GSO preferred was about \$150 million. Is that...

Q

Russell T. Kelley


Chief Financial Officer, Extraction Oil & Gas, Inc.

That's correct.

A

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John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

...a sizable portion of the total spend of that kind of call it phase one or is that not a good way to think about kind of the ballpark?

Russell T. Kelley

Chief Financial Officer, Extraction Oil & Gas, Inc.

A

That was kind of the minimum draw. I would say the way you're thinking of it is probably good with the initial investment, early lead time orders, et cetera. But it was more a function of kind of minimum investment side. Once we get going, that CapEx will ramp quickly and as we've mentioned with the turn online expected with the Broomfield and Hawkeye, looking at this asset being cash flowing in kind of phase one toward the end of 2019.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

Great. And then, pivoting just to some of your well results. I mean, you guys are really just performing outstandingly, it's not a word, but really strong results relative to your type curve. I just wonder if you can kind of opine specifically as we're looking at some of the wells that you've chosen to flow to kind of hit the oil volumes or to maximize oil volumes. Are we just seeing wells in some of the best areas of your portfolio or can investors – should they expect to really see that type curve move up over time?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

The wells that we turned on that make up this chart is really the stuff over the last six quarters and it expands from all the way down in North Hawkeye, all the way up to our acreage in 7 North. So there aren't any new wells that are left out of these plots and we've just been seeing really solid and repeatable performance out of our Niobrara given the way that we've been optimizing our completions. And then our Codell wells have always been kind of rock solid in the areas that our acreage is and we continue to see that performance from North all the way down to the southern part of our position.

John Nelson

Analyst, Goldman Sachs & Co. LLC

Q

And then can't end without the Colorado question but would you guys be willing to kind of throw out a number of what amount of your inventory is more than 2,500 feet setbacks?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

Well, if you look at the report that the Colorado Oil and Gas Commission posted on their website interpreting the land they thought would be affected by this ballot initiative, you'll notice that virtually all of Weld County is inaccessible with the way that this ballot initiative is written. And I think the number is somewhere in the mid-90s of the plants really in Weld County in the Wattenberg Field that that would be inaccessible with drilling locations.

John Nelson


Analyst, Goldman Sachs & Co. LLC

Q

Great. I'll let somebody else hop on. Thanks.

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Operator: Our next question is from Gail Nicholson with KLR Group. Your line is now open.

Gail Nicholson

Analyst, KLR Group LLC

Q

Okay. Going to try this again. Looking at Hawkeye, the wells continue to look really strong. Could you just provide some incremental color kind of in the South Hawkeye versus the North Hawkeye Nile as well as kind of what you're seeing in the Codell versus the Niobrara and Hawkeye?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

Yeah. So now that we've got eight wells producing in Hawkeye, we decided to change the format of that slide a little bit just because, if you look at the position that we have, the airport is kind of right in the middle of that. And so when we're talking about it, we usually reference it as North Hawkeye and South Hawkeye. And in North Hawkeye, we have stated that we'll be developing the Codell and the Niobrara, whereas in South Hawkeye right now, we're only planning locations in the Niobrara formation because the Codell erodes away as you move south of the airport.

So what we wanted to show with this slide update was what our average South Hawkeye Niobrara curve looked like and then also compare that to the North Hawkeye Niobrara curve just to show that we're seeing repeatable results in the Niobrara from the North all the way to the South end of the position. And then we also wanted to add in the Codell just to make sure we remind people that we will have Codell locations in Hawkeye. But mostly just the Northern part and the Codells down there, we're seeing very, again, solid results out of the three wells that we have online.

Gail Nicholson

Analyst, KLR Group LLC

Q

Great. And then could you give an update on the Coyote Trails pad and will we still get results potentially during 3Q earnings on that?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

That is our plan right now. That pad has been drilled and completed and drilled out and tubed up. We're hoping to turn it online probably in the next 10 to 14 days. We're just filing or finalizing the gas connections and the last bits of the facilities.

Gail Nicholson

Analyst, KLR Group LLC

Q

Great. Thank you.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.


A

Thanks.

Operator: Our next question is from Irene Haas with Imperial Capital. Your line is now open.

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Irene Haas

Analyst, Imperial Capital LLC

Q

Hi. Question on the expanded gas processing capacity within the basin and it looks like for the mid-term to long-term it should be more flow assurance for everybody. But at the same time with all the pent up oil, there'll be more dry gas production and probably more NGL. So any sort of color and feeling as to how the regional gas market might evolve and is it possible to hedge gas at a decent level?

Russell T. Kelley

Chief Financial Officer, Extraction Oil & Gas, Inc.

A

So I'll let Mark take the takeaway, long-haul takeaway. But from a hedging perspective, yes, we tend to hedge aggressively both the NYMEX natural gas price as well as the CIG basis hub, that is a liquid market out through kind of 12 to 18 months and that's a key part of our of our hedging strategy which we've done in 2018 extending into 2019.

Irene Haas

Analyst, Imperial Capital LLC

Q

Thanks.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

With respect to takeaway capacity, when you think of infrastructure constraints in the DJ Basin has primarily been related to natural gas processing. The basin has always benefited from a very robust natural gas infrastructure, which when you look back historically in the Rockies, it was primarily a gas play. And so given gas commodity prices, there's not a lot of gas development going on in the Rockies right now and all that infrastructure is benefiting primarily Wattenberg Field and horizontal development activity. So most of our gas flows to the Midwestern area where it ties into all the major pipelines. There's also a southern route out of the basin that goes again to the Mid-Continent, very well served from an infrastructure to get outside the box.

Looking down the road, there's probably going to be some really interesting projects happening in the future that relate to – when you look at just the kind of the U.S. in general, you're looking at incremental production and a lot of that is going to end up getting the water. And so you're going to see gas infrastructure improving going to the Gulf Coast to LNG facilities. You're going to see crude facilities and pipelines expanding to the Gulf Coast for putting a lot of future incremental oil up of all the horizontal plays on to the water as well.

So there's a lot of dynamic things happening in the market. But when you look at the DJ, the primary constraint processing, the basin is a little over 2 Bcf a day of processing right now. That's going to double over the next two to three years. And NGL pipelines are expanding. They just converted. One of the crude pipelines is getting converted to NGL. So we have actually – once we get through this short-term kind of hiccup here, we see a pretty good runway for future development here and infrastructure being in place.

Irene Haas

Analyst, Imperial Capital LLC

Q

Good. This is really, really helpful. Appreciate it.


Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

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Thank you.

Operator: Our next question is from Jacob Gomolinski-Ekel with Morgan Stanley. Your line is now open.

Jacob Gomolinski-Ekel

Analyst, Morgan Stanley

Q

Hey, good morning, and thanks for taking the question. Just on the Colorado ballot initiative, I guess I saw on the Colorado Oil and Gas Commission site, the Weld County commentary, but just on your Hawkeye acreage, can you give us a sense in Arapahoe and Adams, maybe what percentage of – like how many locations would or wouldn't meet the 2,500 foot setback threshold?

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

Well, if you – what I referenced earlier, the percentage of Weld County that would be inaccessible according to the state's interpretation, that same percentage is pretty much good to use for Adams County, Arapahoe County and anything further south of there.

Jacob Gomolinski-Ekel

Analyst, Morgan Stanley

Q

So the 78%.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

No, it's more like the mid-90s is what I would say for the area in the Wattenberg Field and south.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

You have to remember that that setback initiative refers to sensitive areas.

Louis Baltimore

Director-Investor Relations, Extraction Oil & Gas, Inc.

A

Yeah. Schools, hospitals.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Yeah. It's so broadly written, you could almost make a case for setting back from a prairie dog town. I mean it's almost – it's very vague, which is one of the things I think that makes it so unreasonable and difficult for it to get through any type of a vote.

Louis Baltimore


Director-Investor Relations, Extraction Oil & Gas, Inc.

A

Yeah. And I would add that as we think about this and as people think about this, we need to remember that it is by no means a given that this thing is past the validation process, that it's even on the ballot. I mean, we're closely monitoring the initiative turn-in and validation process. Obviously we've been planning strategically to manage various scenarios and we always – as part of the exercises that we always do. But we'll keep you up to speed on

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our thoughts around these types of issues in particular as the process unfolds and we have more clarity as to whether or not it actually makes the ballot.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

One of the things we are doing to potentially mitigate the impact of this, is as we currently have in the neighborhood of 200 to 300 existing permits, those will be grandfathered in. Between now and the end of the year of getting the Broomfield permits, getting the Hawkeye permits that we're going after. We could be sitting with three plus years of drilling inventory all permitted and ready to go if an initiative like this were to get on the ballot and be passed during the time where we would be fighting it.

Jacob Gomolinski-Ekel

Analyst, Morgan Stanley

Q

Okay. Thank you. And then on the just – I realize it's two to three years out. But if you were to monetize all or a portion of the elevation system, how would you think about deploying any proceeds from those asset sales?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

First and foremost, our internal is to reduce debt. To that end, we would reduce our RBL to zero. And then after that, we'd look at other shareholder-friendly initiatives. Share buyback's probably at the top of that list.

Jacob Gomolinski-Ekel

Analyst, Morgan Stanley

Q

Okay. Great. That's it from me. Thank you very much.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Thanks.

Operator: Our next question is from Owen Douglas with Baird. Your line is now open.

Trelford Owen Douglas

Analyst, Robert W. Baird & Co., Inc.

Q

Hi, guys. I wanted to back to the commentary and it was nicely appreciated stuff about 4Q and how it's looking with regards to the free cash flow of positive target. Can you give me a sense whether or not you sort of intend to kind of operate to that metric on a go-forward basis or is that more of a point in time sort of goal?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

No, it's more of a long-term goal. When we look at growing the business, we're beneficiaries of having very, very high quality inventory up to 20 years of super high quality. We can grow our business very nicely inside of cash flow and that's the direction the board and management would like to take this company.


Trelford Owen Douglas

Analyst, Robert W. Baird & Co., Inc.

Q

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Okay. So as I think about 2019 and I get it that you guys are still kind of figuring out a few pieces there, but that would also be an objective for the full year?

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

We haven't given guidance on 2019. But obviously, that's the direction that we're headed in.

Trelford Owen Douglas

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Thank you very much.

Mark A. Erickson

Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

A

Thanks.

Operator: And we have a follow-up question from Welles Fitzpatrick with SunTrust. Your line is now open.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hey, guys. Thanks for letting me hop back on. Am I correct in thinking, because it's a constitutional amendment, if 108 gets passed, 97 is DOA in so much as the constitutional amendment would trump the law?

Louis Baltimore

Director-Investor Relations, Extraction Oil & Gas, Inc.

A

That's something that I think is part of the overall calculus that industry and government of the overall calculus that's industry and government are turning over right now I think that's best addressed to a formal legal opinion. I don't know that we would be the best to comment on that, but certainly that goes into the overall calculus.

Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. No, no, that's fair. It's probably an unfairly specific question. And then, I think it was Gail who asked about Coyote Trails. Any update on Broomfield? I believe there's a positive COGCC ruling recently.

Matthew R. Owens

President & Director, Extraction Oil & Gas, Inc.

A

We did get 13 permits approved, more permits approved in the Broomfield area during the quarter. We currently have 17 permits approved that aren't drilled. We do have the 10 Coyote Trails wells that we've drilled and completed and are about to turn online. But we did receive word from the Commission this week that the commissioners gave authority to the director to approve the rest of our permits that are pending in the Broomfield area which I believe would be 82 more permits in addition to the 17 that we have currently approved.


Welles Fitzpatrick

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. That's wonderful. Thanks for taking the follow-ups.

Extraction Oil & Gas, Inc. (XOG)
Q2 2018 Earnings Call

 Corrected Transcript
08-Aug-2018

Matthew R. Owens
President & Director, Extraction Oil & Gas, Inc.

A

Thank you.

Operator: And I'm showing no further questions. I would now like to turn the call back to Mark Erickson from any further remarks.

Mark A. Erickson
Chairman & Chief Executive Officer, Extraction Oil & Gas, Inc.

I'd just again like to thank everybody for your time this morning. We feel real good about the results hitting oil for the first two quarters. We're going to primarily be focused on achieving that going forward. Hitting oil will allow us to bring in good solid revenue and continue to grow the company in a very strong fashion. So thanks for your time this morning

Operator: Ladies and gentlemen, thanks for participating in today's conference. You may now disconnect. Everyone have a great day.

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Exhibit B5

Seeking Alpha

Extraction Oil & Gas, Inc. Provides Operations and Guidance Update

Thu October 18, 2018 4:28 PM | GlobeNewswire | About: XOG

DENVER, Oct. 18, 2018 (GLOBE NEWSWIRE) -- Extraction Oil & Gas, Inc. (NASDAQ: XOG) ("Extraction" or the "Company") today provided select preliminary operational results for the third quarter of 2018 along with updated full-year 2018 production, capital and expense guidance and its preliminary outlook for 2019.

Key Highlights

- Estimated third-quarter 2018 average net sales volumes of 75.7 thousand barrels of oil equivalent per day (MBoe/d) including 39.3 thousand barrels per day (MBbl/d) of crude oil;
- Updated full-year 2018 production guidance to 74.0 – 75.0 MBoe/d, including 39.0 – 40.0 MBbl/d of crude oil, which represents 44% total equivalent production growth and 50% crude oil production growth year-over-year;
- Maintains its previously disclosed full-year 2018 capital expenditure guidance range of \$890 – \$990 million, including \$770 – \$840 million of drilling and completion (D&C) capital;
- Preliminary forecasted 2019 annual crude oil production growth of approximately 15% and a D&C capital expenditure program of \$650 - \$700 million, which is expected to generate free cash flow for the year.

Commenting on the Company's preliminary operational results for the third quarter and its outlook for the remainder of 2018 and for 2019, Extraction's Chairman and CEO Mark Erickson said, "When we embarked on our 2018 program, it was our expectation that DCP's Plant 10 would provide much more relief than what we are seeing, and the continued tightness severely impacted the production growth ramp that was expected during the third quarter. While DCP has another plant scheduled to come on during the second quarter of 2019, we are not optimistic that this upcoming plant will alleviate this tightness in the northern portion of the Wattenberg field, and as such, we have decided to focus nearly all of our 2019 drilling and completion operations in areas serviced by other midstream providers."

"We still currently have a significant amount of production curtailed, and we are confident that we could have met or exceeded our original production guidance absent these constraints given the outstanding wells we have been delivering over the last several quarters. We view the reduction in anticipated 2019 capital expenditures as the prudent approach given how much production we have ready to flow once sufficient processing capacity is available."

Preliminary Third-Quarter 2018 Operations Update

Extraction expects its third-quarter 2018 average net sales volumes were approximately 75.7 MBoe/d including 39.3 MBbl/d of crude oil. The Company estimates its realized prices during the third quarter of 2018 were \$62.32/Bbl for crude oil, \$1.95/Mcf for natural gas and \$24.49/Bbl for NGLs.

During the third quarter, Extraction reached total depth on 41 gross (30 net) wells with an average lateral length of approximately 9,700 feet and completed 31 gross (26 net) wells with an average lateral length of approximately 6,500 feet. The Company turned to sales 71 gross (61 net) wells with an average lateral length of approximately 9,600 feet.

Exhibit #**Owens 14**

11/16/2020

exhibitstickers.com

For the third-quarter 2018, Extraction estimates its aggregate drilling, completion and leasehold capital expenditures totaled approximately \$194 million, \$168 million of which was for drilling and completion activities. In addition, Elevation Midstream, Extraction's wholly owned midstream subsidiary, incurred an estimated \$38 million of capital expenditures. Elevation's capital budget results in no capital outlay from Extraction and the financing is non-recourse to Extraction's balance sheet.

As of September 30, 2018, Extraction had \$290 million of borrowings outstanding under its revolving credit facility and \$92 million of cash as of September 30, 2018, in addition to \$182 million of cash which is held by Elevation Midstream, LLC and is earmarked for construction of pipeline infrastructure to serve the development of acreage in its Hawkeye and Southwest Wattenberg areas.

The following table provides a summary of preliminary per unit financial operating expense data based on the most current information available to management:

	Three Months Ended				
	September 30, 2018				
	Low		High		
Expense per BOE					
Lease operating expenses	\$	2.87	\$	2.97	
Transportation and gathering	\$	1.64	\$	1.74	
Production taxes	\$	3.05	\$	3.15	
Cash general and administrative	\$	2.53	\$	2.63	

2018 Capital Program, Production and Operating Expense Guidance Details

For the full-year 2018, the Company expects to drill between 168 and 173 gross wells with an average lateral length of 1.8 miles and an average working interest of 85%, complete between 170 and 175 gross wells with an average lateral length of 1.7 miles and an average working interest of 90%, and turn to sales between 163 and 168 gross wells with an average lateral length of 1.6 miles and an average working interest of 87%.

Average daily production, aggregate capital expenditures and selected operating expenses per unit of production for the full-year of 2018 are estimated to be:

	Full-Year 2018		
Production	Full-Year 2018		
Oil production (MBbl/d)	39 - 40		
Total equivalent production (MBoe/d)	74 - 75		
Capital Expenditures (\$ in MM)			
Drilling & completion	\$770 - \$840		
Land & other	\$120 - \$150		

Unit Costs (\$/Boe)		
Lease operating expense (LOE)	\$3.00 - \$3.10	
Transportation & marketing	\$1.50 - \$1.60	
Cash general & administrative (G&A)	\$2.50 - \$2.60	
Production taxes (% of revenue)	10%	

Preliminary 2019 Production and Capital Expenditure Guidance Details

Extraction expects tightness on DCP's midstream system in the northern portion of the Wattenberg field will persist with limited relief after DCP's Plant 11 is placed into service during the second quarter of 2019. As a response, Extraction's planned drilling and completion (D&C) capital expenditures of \$650 - \$700 million in 2019 are expected to generate approximately 15% year-over-year crude oil production growth while generating free cash flow for the full year.

About Extraction Oil & Gas, Inc.

Denver-based Extraction Oil & Gas, Inc. is an independent energy exploration and development company focused on exploring, developing and producing crude oil, natural gas and NGLs primarily in the Wattenberg Field in the Denver-Julesburg Basin of Colorado. For further information, please visit www.extractionog.com. The Company's common shares are listed for trading on the NASDAQ exchange under the symbol "XOG."

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this press release constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included herein concerning, among other things, planned capital expenditures, increases in oil and gas production, the number of anticipated wells to be drilled or completed after the date hereof, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as "may," "expect," "estimate," "project," "plan," "believe," "intend," "achievable," "anticipate," "will," "continue," "potential," "should," "could," and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this press release will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control that could cause actual results to differ materially from the results discussed in the forward-looking statements.

Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, we do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. New factors emerge from time to time, and it is not possible for us to predict all such factors. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in the "Risk Factors" section of our most recent

Form 10-K and Forms 10-Q filed with the Securities and Exchange Commission and in our other public filings and press releases. These and other factors could cause our actual results to differ materially from those contained in any forward-looking statement.

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Source: Extraction Oil & Gas, Inc. 2018 GlobeNewswire, Inc.

Exhibit B6

Extraction Oil & Gas, Inc. (XOG) Q3 2018 Earnings Conference Call Transcript

XOG earnings call for the period ending September 30, 2018.



 **Motley Fool Transcription** (MFTranscription)

 Nov 6, 2018 at 10:15PM

Extraction Oil & Gas, Inc. ([NASDAQ:XOG](#))

Q3 2018 Earnings Conference Call

November 6, 2018, 4:30 p.m. ET


 Logo of jester cap with thought bubble with words 'Fool Transcripts' below it

IMAGE SOURCE: THE MOTLEY FOOL.

Contents:

- Prepared Remarks
- Questions and Answers
- Call Participants

Prepared Remarks:

Operator

Good morning. I am Amanda and I will be your conference facilitator today. I would like to welcome everyone to the Extraction Oil & Gas third quarter 2018 financial and operating results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer period. If you would like to ask a question, simply press * then the number 1 on your telephone keypad.

Please be advised that the remarks today, including answers to your questions, include statements the company believes to be forward-looking statements within the meanings of the Private Securities Litigation Reform Act. These forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different than those currently anticipated.

Those risks include, among others, matters that the company described in its financial and operating results news release issued earlier this afternoon and its filings with the Securities and Exchange Commission. Extraction disclaims any

Exhibit #

Owens 15

11/16/2020

obligation to update these forward-looking statements.

While the company believes these forward-looking statements are reasonable, they are subject to factors, such as commodity prices, competition, technology, and environmental and regulatory compliance, companies' drilling schedules, capital plans, and other factors may cause results to differ materially.

I would now like to turn the call over to Louis Baltimore, Extraction's Director of Investor Relations.

Louis Baltimore -- *Director of Investor Relations*

Thank you and good afternoon to everyone. We're glad you could join us today for our third quarter earnings call. With us today on the call, we have Mark Erickson, our Chairman and CEO, Matt Owens, the company's President, Rusty Kelley, our CFO, Tom Brock, our Chief Accounting Officer, and Eric Jacobsen, our SVP of Operations.

I'd like to remind you that today's call, in addition to the aforementioned forward-looking statements also includes a discussion of certain non-GAAP financial measures. Please be sure to read our full disclosure on forward-looking statements and GAAP reconciliations in our earnings release and in our filing on form 10-Q which we provided earlier today after the close of trading.

10 stocks we like better than Extraction Oil & Gas, Inc.

When investing geniuses David and Tom Gardner have a stock tip, it can pay to listen. After all, the newsletter they have run for over a decade, *Motley Fool Stock Advisor*, has tripled the market.*

David and Tom just revealed what they believe are the **ten best stocks** for investors to buy right now... and Extraction Oil & Gas, Inc. wasn't one of them! That's right -- they think these 10 stocks are even better buys.

[See the 10 stocks](#)

*Stock Advisor returns as of October 20, 2020

I'll now turn over the call to Mark Erickson, our CEO, to go through some highlights for this quarter.

Mark Erickson -- *Chairman and Chief Executive Officer*

Thanks, Louis. Good afternoon, everyone. Welcome to our third quarter earnings call. First, I would like to recap some of the outstanding achievements our team

has made this year.

We still expect to grow our production by over 45% and we demonstrated the high productive potential within each of our Broomfield and Hawkeye areas. Our wholly owned midstream company, Elevation, is funded on a non-recourse basis requiring no capital outlays by the upstream company, exposing our shareholders to significant future upside.

Currently pipelines are being laid in Broomfield area, which is now fully permitted with development expected to commence in early 2019. We've been able to monetize over \$150 million of assets.

Our operations team continues to lead by example, setting a new milestone of over 1.2 million man hours without a single recordable employee incident, along with being awarded a Gold Leadership Award by Colorado in recognition for our efforts to go beyond compliance with state and federal environmental regulations, commitment to continual environmental improvement, and demonstrating leadership in partnering with local communities.

Finally, we expect to achieve free cashflow in Q4 and expect to continue to grow our production base in 2019 while generating free cashflow for the year, excluding the impacts of Elevation Midstream.

Now, I want to touch on the impressive results from our first pad of operated wells in the Broomfield area. Next, we'll talk about the difficulties we've been having related to constraints on the DCP system. After that, we'll open the call up to Q&A.

In late August, we started turning on a batch of ten wells with two-mile laterals testing spacing of 16 to 18 wells per section drilled on our Coyote Trails pad within our Broomfield project area. The pad's surface location sits in Weld County, but is producing our Broomfield County minerals.

We've always had very high hopes for this area, ranking the quality of this acreage potentially as a close second to our acreage in Greeley, which generates some of the absolute best returns anywhere in the lower 48. We're very pleased to show that early time, these wells are nicely exceeding our highest published type curves in both the Codell and Niobrara, performing almost on par with our Greeley wells.

Each of these areas benefit from thick pays in the Codell and all benches of the Niobrara along with little past drainage due to very few vertical wells in either zone nearby. Referring to page 14 in our new investor presentation, you'll see the results from the Coyote Trails pad with the three Codell wells achieving average 60-day IP rates of 1,200 BOE per day, 68% of which is crude oil and

average on-day IP rates of 1,200 BOE per day, 66% of which is crude oil and 1,175 BOE per day for the seven Niobrara wells, 69% of which is oil.

These ten wells are still averaging over 1,100 BOE per day, which demonstrates the very flat production profile we've been seeing. The results from this pad are particularly important as they go a long way to demonstrating the potential of the 12,000 gross, 10,000 net acres we have in our Broomfield project area.

On this page in our investor presentation, you can see the production plots from several pads drilled by other operators that also show strong results. We've gotten all the necessary permits and the project is under way. Getting to this point took a lot of hard work from everybody involved, particularly those

Broomfield staff and community volunteers who work so diligently with our team to develop this best in class development plan. I want to, again, thank everyone involved in the effort.

Now, turning to the difficulties we've been experiencing on DCP's Midstream system. Shortly after DCP's Plant 10 came online, we were producing up to 93,000 BOE per day, until DCP imposed its production allocation. Our gross allocation represents about 13% of DCP's total capacity.

In mid-August after the plant came online, we were producing almost 220 million cubic feet per day gross on their system prior to being cut back by over 35%. So, as it stands today, we're planning to be limited to our current allocation until mid-2019 when Plant 11 comes online.

For the full year 2018, we estimate our net production will be constrained by approximately 17,000 BOE per day, net. After Plant 11 comes online, we expect that our allocation will only grow by approximately 30 million cubic feet per day based on the current allowable. Under this scenario, we believe we have ample existing base production to meet our allocation with relief expected in 2020 as our constrained wells go on natural decline.

As a result, we will be tailoring our investment in the DCP area to continue to meet our allocated production rate. We will continue to work on solutions with third parties for our non-dedicated and constrained production in this area. Further, we will continue directing our activity to our southern acreage, which is served by Anadarko's western gas and discovery, now part of Williams. Our diversified acreage position with access to multiple processing partners offers us a tremendous amount of flexibility not enjoyed by most other producers in the DJ basin.

I would like to thank everyone for your time on the call today. Before we open it up for Q&A, I'd like to remind everybody that it's still election day. So, we don't have any results yet. Let's try to keep the questions focused on our results and

have any results yet. Let's try to keep the questions focused on our results and plans rather than the election.

With that, Operator, let's open up the call for Q&A.

Questions and Answers:

Operator

Thank you. Ladies and gentlemen, at this time, if you do have a question, please press the * and the number 1 key on your touchstone telephone. If your question has been answered or you wish to remove yourself from the queue, please press the # key.

Our first question is from the line of Welles Fitzpatrick of SunTrust. Your line is open.

Welles Fitzpatrick -- *SunTrust Robinson Humphrey -- Managing Director*

Hi, good afternoon. Can you talk a little -- obviously, the Coyote wells, they look like they can compete with just about anything in the basin. Can you give us a little bit more detail on maybe the pressure you're seeing? Are you seeing a significant pressure drawdown? I guess I'm just looking for any more color that might help us understand what those EORs might look like at the end of the day.

Matt Owens -- *President*

Yeah, Welles. This is Matt. It's difficult to quantify exactly what that's going to be. Early on, those wells haven't really started declining yet, but their pressures have been a lot higher than what we normally see in our other areas, say, Windsor or in North Hawkeye. I would say they're not as strong as what we see in Greeley, but they're the closest wells we've seen so far to date pressure-wise compared to our Greeley asset.

Welles Fitzpatrick -- *SunTrust Robinson Humphrey -- Managing Director*

Okay. That makes sense. Then just one follow-on -- there's been some speculation of what to do with the free cashflow in '19 and about the potential for a buyback. Is that on the near-term to-do list for you guys or can you talk to how you might deploy that free cashflow?

Matt Owens -- *President*

Welles, our plan hasn't really changed from what we previously stated. Our first planned use of free cashflow is to get our net debt ratio inside of 1.5 and we would achieve that by paying down our RBL. Once we get that done, then all options will open for identifying and returning cash on the most advantageous way to shareholders.

Welles Fitzpatrick -- *SunTrust Robinson Humphrey -- Managing Director*

Okay. Thank you so much.

Operator

Thank you. Our next question is from the line of Jeoffrey Lambujon of Tudor, Pickering, Holt. Your line is open.

Jeoffrey Lambujon -- *Tudor, Pickering, Holt and Company -- Analyst*

Good afternoon. Thanks for taking my questions. My first one is just a follow-up on Broomfield. I appreciate the comments on the pressure and the spacing configurations. Can you give any additional color on the completions recipe you utilize there and how it's different from what you've done in wells? Based on this first pad, are there any learnings or changes you'll apply to the go-forward program in 2019?

Mark Erickson -- *Chairman and Chief Executive Officer*

Yeah. So, we drilled 10 wells on this pad, testing about 16 to 18 wells per section. We had three in the Codell and seven in the Niobrara. We did do a few different completion techniques on these just to get everything tested early on and see how the results are comparing. The sand loading that we went with was anywhere from under 1,000 pounds per foot to up to 1,500 pounds per foot.

We also tried some slick water and some gel completions like we've done in some of our other areas. We do have a very wide array of completion tests going on with this pad and we'll be able to see if there's any differentiation in the production results once we get a few more months under our belt.

Jeoffrey Lambujon -- *Tudor, Pickering, Holt and Company -- Analyst*

Got it. My second question is just a clarifying one on DCP. It sounds like from the release and the commentary that the allocations that have been applied or essentially based on relative levels of production by operator from August of last year. I guess I first wanted to confirm that and second, I wanted to get your thoughts on if that's something they've communicated any interest in changing just given how it doesn't really give credit to the growth operators like yourselves and some of your peers that have delivered since that timeframe.

Mark Erickson -- *Chairman and Chief Executive Officer*

They were set based on August of 2017. That was a time period before our production ramp started. In addition to that, that was even before Grand

production ramp started. In addition to that, that was even before Grand Parkway was built as well as new compressor stations added. Obviously, the situation has changed substantially since then. During the time period between August and with the plant turning on, we obviously produced at rates much higher than that continually throughout the period.

So, we continue to have dialogue with DCP wrapped around what is the proper allocation method. But as you know in our budget, we haven't taken any of that into account. We've assumed that nothing changes.

Jeffrey Lambujon -- *Tudor, Pickering, Holt and Company* -- Analyst

Got it. Thank you.

Operator

Thank you. Our next question is from the line of Brad Heffern of RBC Capital Markets. Your line is open.

Brad Heffern -- *RBC Capital Markets* -- Analyst

Hey, afternoon, everyone. You guys mentioned the 90 to 93 you produced at before you got the allocation from the DCP system. I was wondering if you could give some sort of indication or range as to what you're producing at now.

Matt Owens -- *President*

That would be the 93 that we were up to total before we were curtailed back to the 13%. Now, I'd say we're closed to what you could imply for the Q4 volumes, which I believe is right around 78,000.

Brad Heffern -- *RBC Capital Markets* -- Analyst

Okay. Got it. And then looking at Hawkeye, I saw the updated zero time plots in the deck. Can you just talk about what you've been seeing on the performance there? Additionally, it looks like the longest history is sort of on the one-million-barrel type curve and then as time goes on, it sort of moves more toward the 900. I was wondering if that's the behavior that you would expect or if there was any color on why that would be the case.

Matt Owens -- *President*

Yeah. We're seeing good results out of the North Hawkeye curves there in both the Niobrara and the Codell formations. We've got six wells there producing that make up those two lines. The South Hawkeye line is only made up of two wells, the one that we drilled about 20 months ago and then the second one that's got just about a year of production. One of the wells is performing a lot better than

the other one.

So, I think that's what's bringing that curve down, but we will be drilling several more wells this quarter in the South Hawkeye area along with completing another seven-well pad in the North Hawkeye area testing both formations again. So, we'll have a lot more data points to add to this chart as Q1 rolls along.

Mark Erickson -- *Chairman and Chief Executive Officer*

But we're pleased with the results that we're seeing today.

Operator

Thank you. Our next question is from Irene Haas of Imperial Capital. Your line is open.

Irene Haas -- *Imperial Capital -- Managing Director*

Yeah. Can we have a little color on your Broomfield project? Glad that it's finally happening. With your one rig, I suppose you'll be engaged in pad drilling. So, how does it synchronize with elevations, midstream buildout? I just want to have a rough timing as to how you put all the pieces together.

Matt Owens -- *President*

Yeah. The midstream buildout is happening as we speak right now. Obviously, that's going to take place first as we lay pipelines in the right ways across the area where we'll be drilling our pads. We will start drilling in Broomfield full-time, coinciding the turning lines of those first pads with the turning lines when the pipelines are ready to go. So, first drilling will be in Q1 and then it will be a couple quarters after that for the wells to go through the cycle times of being turned in line.

Irene Haas -- *Imperial Capital -- Managing Director*

Thank you.

Operator

Thank you. Our next question comes from the line of Paul Grigel of Macquarie. Your line is open.

Paul Grigel -- *Macquarie Group Limited -- Analyst*

I was hoping maybe you guys could discuss the thoughts on any impact to the reservoir or lack thereof on sustained ongoing midstream constraints over time.

Mark Erickson -- *Chairman and Chief Executive Officer*

I would point you to slide 13. I'll have Matt kind of talk through -- the Triple Creek is probably the best example of a highly constrained well or pad right now.

Matt Owens -- *President*

Yeah. If you look at slide 13, where we have the Triple Creek pad on there. It's called out with the arrow. You can see how it was performing kind of in a straight line, but well below the type curves because it was choked back for several months. After about 240 days or so, you can see that line starting to change angle as we were able to open up those wells a little bit more when we saw some relief in line pressure.

Now, after the first 360 days, we went from a decent amount below the 825,000-barrel curve to on track to pass that million-barrel curve on a cume basis shortly after this first year is up. So, we don't think we lost any reserves there and we're making that up rapidly now that we've been able to open up some of those wells.

Mark Erickson -- *Chairman and Chief Executive Officer*

We expect the same type of production profile for the C Street Pad as well.

Paul Grigel -- *Macquarie Group Limited -- Analyst*

That's helpful. Thanks. Turning to the outlook on Plant 11 as you guys move to the south, is the view there that with existing production and wells that are waiting on completion for that area that you'll be able to sufficiently fill that up into 2020 and what ultimately do we need to see in 2020 to alleviate the problem in the north, in your view?

Mark Erickson -- *Chairman and Chief Executive Officer*

Well, if there's no additional plant construction up there or for some reason the Plant 12 is delayed, we would be able to add production in the DCP system in 2020 as our wells go on natural decline. So, they should produce pretty flat until that 2020 time period with the base production that we have established.

But in addition, we continue to have ongoing discussions with third parties, private equity-backed that are adding plant and pipeline infrastructure in the northeast part of the field. Because we have a lot of uncommitted acreage in the area, we feel pretty strongly that we're going to be able to take advantage of that. We're just kind of waiting to see how things play out here over the next quarter or so to get firmer grip on the timing associated with those.

Paul Grigel -- *Macquarie Group Limited -- Analyst*

Great. That's very helpful. Thanks. Good luck.

Great. That's very helpful. Thanks. Good luck.

Operator

Thank you. Our next question comes from the line of Jeffrey Campbell of Tuohy Brothers. Your line is open.

Jeffrey Campbell -- *Tuohy Brothers -- Analyst*

It sounds like the 2019 investment is going to avoid overloading the DCP system for all the reasons you've already detailed. I was just wondering -- is that a full-year strategy or do you expect some second half '19 relief when O'Connor comes online?

Mark Erickson -- *Chairman and Chief Executive Officer*

We're going to pick up. If our allocation remains at 13%, we pick up about 13% of the new plant that comes online, which would be about \$30 million a day net to our interests. We've accounted for that in our 2019 guidelines. The biggest relief that we could see of anything that could change, whether it be '19 or '20 would be incremental processing capacity in the area beyond Plant 11.

Jeffrey Campbell -- *Tuohy Brothers -- Analyst*

Okay. My other question is kind of a capital allocation question as well. It sounds like you're going to target investment in the south. I was just wondering if you've got any color about how you're going to do that around the elevation midstream buildout. I assume it's going to have some effect on both Broomfield and Hawkeye investment.

Matt Owens -- *President*

Yeah. We do have acreage that is outside of the elevation buildout area that we can drill that would include some western gas processing or some other discovery processing that can go straight to the plant before the CGF is done being built and then hooked in later. We're carefully planning our drill and completion timeline around that buildout.

Jeffrey Campbell -- *Tuohy Brothers -- Analyst*

Okay. Great. Thanks. I appreciate that color.

Operator

Thank you. Our next question is from the line of Jacob Gomolinski of Morgan Stanley. Your line is open.

Jacob Gomolinski-Ekel -- *Morgan Stanley -- Analyst*

Hi, good afternoon. Thanks for taking questions and comments on the nice

hey, good afternoon. Thanks for taking questions and congrats on the nice Broomfield results. I guess it was a little bit maybe visually shocking to see the August production versus where you came in for the quarter due to the DCP curtailments and their decision to use that August 2017 production data to determine allocations.

I think in your last answer you hinted at -- you said if our allocation remains at 13%. Is there any room for negotiation with DCP and how they're making these allocation decisions? It sounds like I don't know if the August 2017 date was arbitrary. It seems a little misaligned if the goal was to focus on single-basin producers incentive to grow.

Mark Erickson -- *Chairman and Chief Executive Officer*

To say we were surprised by that pick of a date is an understatement, especially during the same time period when -- throughout 2018, we were in close communication with DCP. None of the discussions we had with them led us to believe there would be any allocations associated with the new plant. Historically, it's not the way they've operated. Then to have them come out and put allocations on the system after they told us there would be no allocations and we made our investment decisions based upon that, we were very, very surprised.

It's safe to say, though, at this point, we're not going to stretch our necks out again based on what we think DCP will do or not do, which is why I would say we've taken the most -- we're saying that we don't expect to get anything greater than the 13%.

Jacob Gomolinski-Ekel -- *Morgan Stanley -- Analyst*

Got it. You've obviously got a carrot and a stick given you have your own elevation system and can move those CapEx dollars elsewhere?

Mark Erickson -- *Chairman and Chief Executive Officer*

We do.

Jacob Gomolinski-Ekel -- *Morgan Stanley -- Analyst*

I appreciate the request not to talk about the vote, but you did say talking about the plans and I know we'll get the results later. Maybe just hypothetically if the vote were to pass, could you speak to your long-term plans and how you would look to -- just thinking about your options, would you be looking to diversify out of basin, similar to PDCE or would you develop what you have and then go into run-off mode or are there other options maybe the investor community is not currently thinking about that we should be?

Mark Erickson -- *Chairman and Chief Executive Officer*

We talked about this quite a bit. I'm going to have Matt walk through some specific numbers. Going into this election starting over a year ago, we started building a significant number of permits in the Basin. In fact, I think we hold the highest number of permits in the basin and the highest number of permits in the core of the basin. We feel very strongly that all those will be grandfathered through.

So, getting in at some specifics, we expect that our PDP at the end of this year will be substantially higher than our debt and that we'll have a very high inventory of permits. Matt will go through the specific numbers. We look at our equity value today as it has to assume a worst case scenario in the election with a substantial discount attached to it. Matt, do you want to talk about our permitting strategy and where we're at today?

Matt Owens -- *President*

Yeah. We've been very active for about a year now, like Mark said, with our permitting strategy. We've secured in hand over 400 permits approved in the quarter of our acreage position with an additional 400 permits pending. So, we believe we still could get some permits approved over the next 40 days, but regardless, we should have about three years, if not slightly more of drilling inventory at a three-rig pace and also that could increase depending on what we're able to get through in the next 30 days.

Then outside of that, we do have about another 100, slightly over that approved permits in our northern extension area. So, we have quite a long runway of inventory if there are any legal issues that ensue after tonight's vote.

Mark Erickson -- *Chairman and Chief Executive Officer*

And also appreciate that these permits are located in some of our highest-value areas. We're talking about Greeley, Broomfield, Hawkeye -- these are the areas that yield the highest NPVs per location in our whole inventory.

Jacob Gomolinski-Ekel -- *Morgan Stanley -- Analyst*

Got it. That's really helpful. Thanks for all the color and good luck tonight.

Operator

Thank you. At this time, this does conclude the question and answer session. I'd like to turn the conference back over to Mr. Mark Erickson for any closing remarks.

Mark Erickson -- *Chairman and Chief Executive Officer*

Thanks, everybody for participating in the call today. If you're from Colorado and haven't voted, please load up your stuff and head up to the polls right now. We need every vote we can get. Thanks. Bye.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone have a great day.

Duration: 28 minutes

Call participants:

Louis Baltimore -- *Director of Investor Relations*

Mark Erickson -- *Chairman and Chief Executive Officer*

Matt Owens -- *President*

Welles Fitzpatrick -- *SunTrust Robinson Humphrey -- Managing Director*

Jeffrey Lambujon -- *Tudor, Pickering, Holt and Company -- Analyst*

Brad Heffern -- *RBC Capital Markets -- Analyst*

Irene Haas -- *Imperial Capital -- Managing Director*

Paul Grigel -- *Macquarie Group Limited -- Analyst*

Jeffrey Campbell -- *Tuohy Brothers -- Analyst*

Jacob Gomolinski-Ekel -- *Morgan Stanley -- Analyst*

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Exhibit B7

Exhibit B7 has been redacted in its entirety

Exhibit B8

Exhibit B8 has been redacted in its entirety

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

In re:

EXTRACTION OIL & GAS, INC., *et al.*,

Debtor.

Chapter 11

Case No. 20-11548 (CSS)

EXTRACTION OIL & GAS, INC.,

Plaintiff,

v.

ROCKY MOUNTAIN MIDSTREAM LLC,

Defendant.

Adv. Proc. No. 20-50840 (CSS)

CERTIFICATE OF SERVICE

I, Lucian B. Murley, hereby certify that on December 10, 2020, a copy of the foregoing *Rocky Mountain Midstream, LLC's Notice of Filing of Proposed Redacted Response to Plaintiff's Motion for Summary Judgment* was served on the parties on the attached service list in the manner indicated therein.

/s/ Lucian B. Murley

Lucian B. Murley (DE Bar No. 4892)

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