

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	
)	Chapter 11
)	
EXTRACTION OIL & GAS, INC., <i>et al.</i> , ¹)	Case No. 20-11548 (CSS)
)	
Debtors.)	(Jointly Administered)
)	Re: Docket Nos. 1518, 1520 & 1521

NOTICE OF FILING OF REVISED PROPOSED REDACTED VERSION OF EXHIBIT C TO THE DEBTORS' MOTION FOR ENTRY OF AN ORDER (I) APPROVING THE SETTLEMENT BY AND AMONG THE DEBTORS AND DCP OPERATING COMPANY, LP, (II) AUTHORIZING EXTRACTION OIL & GAS, INC. TO ASSUME THAT CERTAIN GAS PURCHASE CONTRACT, AS AMENDED AND RESTATED, WITH DCP OPERATING COMPANY, LP, AND (III) GRANTING RELATED RELIEF

PLEASE TAKE NOTICE that on December 23, 2020, the above-captioned debtors and debtors-in-possession (the “Debtors”) filed the *Debtors' Motion for Entry of an Order (I) Approving the Settlement By and Among the Debtors and DCP Operating Company, LP, (II) Authorizing Extraction Oil & Gas, Inc. to Assume That Certain Gas Purchase Contract, as Amended and Restated, with DCP Operating Company, LP, and (III) Granting Related Relief [Sealed]* [Docket No. 1518] (the “9019 Motion”).

PLEASE TAKE NOTICE that on December 23, 2020, the Debtors filed the *Debtors' Motion for Entry of an Order Authorizing the Debtors to File Under Seal Debtors' Motion for Entry of an Order (I) Approving the Settlement By and Among the Debtors and DCP Operating Company, LP, (II) Authorizing Extraction Oil & Gas, Inc. to Assume That Certain Gas Purchase*

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.



Contract, as Amended and Restated, with DCP Operating Company, LP, and (III) Granting Related Relief [Docket No. 1520] (the “Motion to Seal”),² seeking, *inter alia*, authority to file the 9019 Motion under seal.

PLEASE TAKE FURTHER NOTICE that on December 23, 2020, consistent with the relief requested in the Motion to Seal, and pursuant to rule 9018-1(d)(ii) of the Local Rules of Bankruptcy Practice and Procedures of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Local Rules”), the Debtors filed a proposed redacted version of the 9019 Motion [Docket No. 1521] (the “Proposed Redacted Version”).

PLEASE TAKE FURTHER NOTICE that subsequent to the filing of the 9019 Motion, the Motion to Seal, and the Proposed Redacted Version, the Debtors received an informal objection from the Office of the United States Trustee (the “U.S. Trustee”) to the Motion to Seal with respect to Exhibit C to the 9019 Motion.

PLEASE TAKE FURTHER NOTICE that the Debtors hereby file a revised proposed redacted version of Exhibit C to the 9019 Motion, attached hereto as **Exhibit 1**, which has been reviewed by the U.S. Trustee, and which resolves the U.S. Trustee’s informal objection to the Motion to Seal.

[Remainder of Page Intentionally Left Blank]

² Capitalized terms not defined herein shall have the meaning ascribed to them in the Motion to Seal.

Dated: January 7, 2021
Wilmington, Delaware

/s/ Stephen B. Gerald

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³ Whiteford, Taylor & Preston LLC operates as Whiteford Taylor & Preston L.L.P. in jurisdictions outside of Delaware.

EXHIBIT 1

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

In re:

EXTRACTION OIL & GAS, INC. *et al.*,¹

Debtors.

)
) Chapter 11
)
) Case No. 20-11548 (CSS)
)
) (Jointly Administered)
)
)

SETTLEMENT AGREEMENT

This settlement agreement (the “**Settlement**”) is made this 23rd day of December 2020, by the above-captioned debtors and debtors-in-possession (the “**Debtors**”) and DCP Operating Company, LP (“**DCP**,” and together with the Debtors, the “**Parties**”).

RECITALS

WHEREAS, effective February 1, 2019, DCP and Debtor Extraction Oil & Gas, Inc. (“**XOG**” or “**Seller**”) entered into that certain Amended and Restated Gas Purchase Contract (together with the exhibits, attachments and other documents incorporated therein, the “**Gas Purchase Contract**”).

WHEREAS, on June 14, 2020 (the “**Petition Date**”), each of the Debtors filed a voluntary petition with the Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) for relief under chapter 11 of the Bankruptcy Code (the “**Chapter 11 Cases**”). The Debtors continue to manage and operate their business as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code.

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.

WHEREAS, in Section 1.b(i), the Gas Purchase Agreement provides that “Seller dedicates and commits to sell to Buyer under this Contract, and Buyer agrees to purchase, any and all NGLs owned or controlled by Seller that are or can be extracted from the gas owned or controlled by Seller and produced from the Denver-Julesburg Basin of Colorado (“**Seller’s DJ Gas**”), up to a maximum volume equal to (A) [REDACTED] barrels per day for [REDACTED] following the NGL TIK Date and (B) [REDACTED] barrels per day thereafter (the “**TIK NGLs**”), at any processing plant to which Seller delivers Seller’s DJ Gas (the “**Plant(s)**”).”

WHEREAS, in Section 1(b)(iv), the Gas Purchase Agreement provides that “Throughout the Term, Seller represents, warrants and covenants that any and all natural gas purchase contracts, gathering contracts, processing contracts or comparable or related contracts or arrangements with third parties pursuant to which Seller’s DJ Gas is processed (collectively the “**DJ Gas Contracts**”) afford, or will afford Seller the right to take physical delivery of the TIK NGLs attributable to Seller’s DJ Gas at the tailgate of the Plant(s) where such production is processed into the TIK Carrier(s) of its choosing.”

WHEREAS, XOG has represented to DCP that it has six (6) non-DCP DJ Gas Contracts:

[REDACTED]

[REDACTED]. See Exhibit A.

WHEREAS, XOG has also represented to DCP that it does not have the right to physical delivery of NGLs in-kind in three (3) of those six (6) DJ Gas Contracts, and that instead it only has the right to physically take NGLs in-kind in three (3) of the six (6) contracts and that XOG’s projected volumes with respect to contracts where it does have the right to physical delivery of NGLs in-kind may at some point not be sufficient to satisfy the TIK NGLs commitment under the Gas Purchase Contract, *see* Exhibit A, and DCP is relying on the accuracy of these representation

in entering into this Settlement.

WHEREAS, DCP believes that, if the contracts where XOG has a right to physically take NGLs in-kind do not result in sufficient volumes to satisfy the TIK NGLs commitment under the Master Contract, XOG's failure to have sufficient take-in-kind NGL rights in the DJ Gas Contracts would be a breach of XOG's representations, warranties and covenants in the Gas Purchase Agreement.

WHEREAS, XOG disputes in all respects DCP's assertion that XOG breached its representations, warranties and covenants in the Gas Purchase Agreement with respect to the take in kind NGL rights attributable to Seller's DJ Gas Contracts and denies any liability.

NOW, THEREFORE, to avoid the delay, uncertainty, inconvenience and expense of protracted litigation concerning the above asserted breach claims, the Parties hereby agree and covenant as follows:

AGREEMENT

1. **Recitals.** The above recitals are true and correct and are incorporated herein by reference and shall be deemed substantive parts of this Settlement.

2. **Release of Past Breach Claims.** DCP, on behalf of itself, and its predecessors, successors, subsidiaries, agents, consultants, employees, financial advisors, legal counsel, and officers, solely in their capacities as such (the "**DCP Releasing Parties**"), hereby releases and forever discharges the Debtors from any claim or cause of action arising out of or related to Debtors' alleged breach of Section 1.b(iv) of the Gas Purchase Agreement but such release and discharge is solely with respect to claims or causes of action that arise because [REDACTED]

[REDACTED]

[REDACTED] The foregoing

release and discharge contained in this Section 2 [REDACTED]

[REDACTED]

3. **Covenant Not to Sue.** DCP, on behalf of itself and the DCP Releasing Parties, covenants and agrees not to institute or maintain any suit, claim or proceeding against the Debtors, or their respective officers, agents, employees, successors and/or assigns with respect to the NGL Breach Claims released in this Settlement. In addition to the foregoing, and provided that Debtors have fulfilled the covenants set forth in Section 7 of this Settlement, DCP, on behalf of itself and the DCP Releasing Parties, covenants and agrees not to institute or maintain any suit, claim or proceeding against the Debtors, or their respective officers, agents, employees, successors and/or assigns for: (A) breaches of the take-in-kind NGL representation, warranty and covenant in Section 1.b(iv) of the Gas Purchase Agreement in perpetuity solely with respect to [REDACTED]

[REDACTED] (B) any shortfall in the delivery of TIK NGLs pursuant to Section 1.b of the Gas Purchase Agreement to the extent that such shortfall is attributable to [REDACTED]

[REDACTED]; and (C) any liability pursuant to Section 1.b(ii) of the Gas Purchase Agreement with respect to a shortfall in the delivery of TIK NGLs where [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The foregoing release and discharge contained in this Section 3 [REDACTED]

[REDACTED]

[REDACTED]

4. **Effectiveness.** This Settlement shall become effective as of the date (the “Effective

Date”) that is the later to occur of (i) entry by the Bankruptcy Court of an order approving this Settlement and (ii) the Debtors assuming, by a final, non-appealable order of the Bankruptcy Court (in a form and substance acceptable to DCP), the Gas Purchase Agreement. The Parties agree that if (i) the Bankruptcy Court declines to approve this Settlement and/or (ii) the Debtors do not assume the Gas Purchase Agreement, this Settlement shall be void *ab initio*, the Parties shall revert to their pre-settlement positions, and nothing contained herein shall constitute or be introduced, treated, deemed, or otherwise interpreted or construed as evidence in any judicial or arbitration proceeding. If the Effective Date has not occurred on or prior to January 31, 2021, and if not otherwise extended by mutual consent of the Parties, then any Party hereto may terminate this Settlement by providing written notice to all other Parties and, immediately thereupon, this Stipulation shall be void *ab initio*, the Parties shall revert to their pre-settlement positions, and nothing contained herein shall constitute or be introduced, treated, deemed, or otherwise interpreted or construed as evidence in any judicial or arbitration proceeding.

5. **Confidentiality.** This Settlement and statements made or actions taken in connection with the negotiation of the same are confidential among the Parties and shall not be disclosed to anyone, or offered or received into evidence, or in any way referred to in any legal action or administrative proceeding among, between or involving the Parties, other than as may be necessary (i) to enforce or approve this Settlement, (ii) to seek damages or injunctive relief in connection therewith, (iii) in any litigation or dispute with a third-party relating to this Settlement or the TIK NGLs, or (iv) where necessary to share such information with the Parties’ auditors, accountants, counsel, regulators or reinsurers.

6. **Authority.** Each individual signing this Agreement on behalf of any party hereto acknowledges and, with respect to his or her own signature below, represents that he/she is

authorized to execute this Settlement in his/her representative capacity, as reflected below and on behalf of the Party indicated.

7. **Covenant to Assume and Amend.** The Debtors, on behalf of themselves and any successor entities or assigns, covenant and agree to amend and assume, as necessary, the [REDACTED] [REDACTED] Contracts in their Chapter 11 bankruptcy proceedings pending in the U.S. Bankruptcy Court for the District of Delaware, procedurally consolidated under Case No. 20-11548, in order to provide the Debtors the right to physical delivery of NGLs in kind at the tailgate of the Plant(s) where such production is processed into the TIK Carrier(s) of Debtors' choosing; and promptly following the approval of such assumption and amendment, as necessary, in an order of the U.S. Bankruptcy Court in such bankruptcy proceeding, Debtors further covenant and agree, on behalf of themselves and any successor entities or assigns, to provide Buyer a written attestation executed by an officer of the Debtors that the [REDACTED] Contracts have been assumed and amended in accordance with this paragraph and confirming that the Debtors have the right to physical delivery of NGLs in kind at the tailgate of the Plant(s) where such production is processed into the TIK Carrier(s) of the Debtors' choosing.

8. **Claim for Reduced Minimum Margin.** DCP shall receive an Allowed Class 6 Claim (as defined in the Debtors' Joint Plan of Reorganization in the Debtors' bankruptcy proceedings) in the amount of [REDACTED] (the "Settlement Claim") on account of [REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Notwithstanding any deadlines set forth in Exhibit J of the Plan Supplement to the contrary, DCP shall be entitled to participate in the GUC Equity Rights Offering Procedures (as defined in

the Plan) in the amount of the Settlement Claim, including, for the avoidance of doubt, the ability to elect to receive a cash payment pursuant to the GUC Cash Out Election.

9. **Construction.** The Parties have cooperated in the drafting and preparation of this Settlement. Therefore, in any construction to be made of this Settlement, the Settlement shall not be construed for or against any Party on that basis. Each of the Parties shall bear its own costs and expenses in connection with this matter, including legal fees and expenses.

10. **Execution in Counterparts.** This Settlement may be executed in counterparts, any of which may be transmitted by email or facsimile, and each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

11. **Successors.** This Settlement shall be and shall remain binding upon and shall inure to the benefit of the Parties hereto and all of their respective successors, assigns, purchasers, administrators and representatives.

12. **Amendments and Waivers.** No amendment, modification, or waiver of any provision of this Settlement shall be valid unless the same shall be in writing and signed by the Parties.

13. **Governing Law.** This Settlement shall be construed and enforced in accordance with the laws of the State of Colorado, without regard to the conflicts of laws or principles thereof.

14. **Entire Agreement.** This Settlement constitutes the entire agreement among the Parties with respect to the subject matter hereof, and supersedes any and all prior agreements and understandings, written or oral, among the Parties pertaining to the subject matter hereof.

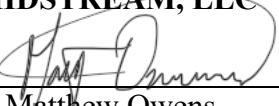
15. **Descriptive Headings.** Descriptive headings of the several sections of this Settlement are inserted for convenience only and do not constitute a part of this Settlement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Settlement Agreement as of the date first set forth above.

DEBTORS:

**EXTRACTION OIL & GAS, INC.
7N, LLC
8 NORTH, LLC
AXIS EXPLORATION, LLC
EXTRACTION FINANCE CORP.
MOUNTAIN TOP MINERALS, LLC
NORTHWEST CORRIDOR HOLDINGS, LLC
TABLE MOUNTAIN RESOURCES, LLC
XOG SERVICES, LLC
XTR MIDSTREAM, LLC**

By: 
Name: Matthew Owens
Title: Chief Executive Officer

DCP:

DCP OPERATING COMPANY, LP:


By: 
Name: George Green
Title: Vice President & Deputy General Counsel

Exhibit A to Settlement Agreement

[REDACTED]		[REDACTED]	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]		[REDACTED]	