

**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 No. 9

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

1. Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an interim order (this “Interim Order”) (a) authorizing the Debtors to continue performance under Prepetition Hedging Agreements with the Debtors’ existing hedge counterparty that did not terminate such transactions as a result of the commencement of these chapter 11 cases (“Consenting Prepetition Hedging Provider”); (b) authorizing the Debtors to perform under and honor, pay, or otherwise satisfy, and guarantee on a joint and several basis, all obligations and indebtedness of the Debtors with respect to the Prepetition Hedging Agreements (collectively, the “Prepetition Hedging

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

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

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

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

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

3. The final hearing (the "Final Hearing") on the Motion shall be held on July 7, 2020 at 1:00 p.m., prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time, on June 30 2020, and shall be served on: (a) the Debtors, Extraction Oil & Gas, Inc., 370 17th Street, Suite 5300, Denver, Colorado 80202, Attn: Eric Christ; (b) proposed counsel to the Debtors, (i) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn: Christopher Marcus, P.C., Allyson Smith Weinhouse, and Ciara Foster and (ii) Whiteford, Taylor & Preston LLC, The Renaissance Centre, Suite 500, 405 North King Street, Wilmington, Delaware 19801, Attn: Marc R. Abrams, Richard W. Riley, and Stephen B. Gerald; (c) the United States Trustee, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801, Attn: Richard L. Schepacarter; (d) counsel to the administrative agent under the Debtors' prepetition senior credit facility, Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, Texas 77002, Attn: Dewey J. Gonsoulin Jr., William A. (Trey) Wood III, and Heather Brown; (e) counsel to the ad hoc group of lenders under the Debtors' prepetition senior notes, (i) Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019, Attn: Andrew Rosenberg, Alice Belisle Eaton, Christopher Hopkins, Douglas Keeton and Omid Rahnema and (ii) Young Conaway Stargatt & Taylor, LLP, 1000 North King Street, Wilmington, Delaware 19801, Attn: Pauline K. Morgan & Sean T. Greecher; (f) counsel to the ad hoc group of holders of the Debtors' preferred equity, Quinn Emanuel Urquhart & Sullivan, LLP, 51 Madison Avenue, 22nd Floor, New York, New York

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

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

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

6. If any provision of this Interim Order or the DIP Orders is stayed, modified in a manner adverse to the Consenting Prepetition Hedging Provider, or vacated, or if this Interim

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

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

of these chapter 11 cases, and shall be in addition to any and all rights, powers or privileges provided for by the Prepetition Hedging Agreements or the DIP Orders.

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

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

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

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

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

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

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

B. permit the DIP Agent, on behalf of the Consenting Prepetition Hedging Provider, to take all actions to validate and perfect the liens and security interests granted hereunder and under the DIP Orders, including by filing or recording financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments in any jurisdiction. For the avoidance of doubt, whether or not the DIP Agent chooses to file such financing statements, intellectual property

filings, mortgages, notices of lien, or similar instruments, take possession of or control over, or otherwise confirm perfection of the liens and security interests granted under this Interim Order, such liens and security interests shall be deemed valid, perfected, allowed, enforceable, non-avoidable, and not subject to challenge, dispute, or subordination, as of the date of their incurrence; and

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

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

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

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

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

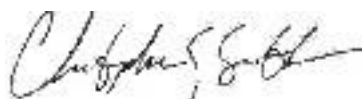
15. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Bankruptcy Local Rules are satisfied by such notice.

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

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

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

Dated: June 16th, 2020
Wilmington, Delaware



CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE