



General FAQ

1. What did Extraction announce?

- Extraction Oil & Gas has announced an important step forward in our efforts to position our business for long-term success. As part of these ongoing efforts, we voluntarily filed for reorganization under chapter 11 of the U.S. Bankruptcy Code. The Company intends to use this process to implement a dynamic capital planning process to protect our cash flows and provide financial flexibility for the future as we stabilize operations in this challenging environment.
- During this time, we will continue to work diligently with our advisors and creditors on a plan that allows us to invest in our assets and generate long-term value for our stakeholders. Day to day operations should continue as normal throughout the court-supervised process.
- The Company has also reached an agreement in principle with an ad hoc group of holders of the Company's senior notes (the "Ad Hoc Noteholder Group") regarding a comprehensive restructuring. The proposed restructuring, the terms of which are set forth in the Restructuring Support Agreement between the Company and the Ad Hoc Noteholder Group, will significantly reduce the Company's debt and establish a more sustainable capital structure pursuant to a consensual chapter 11 plan of reorganization that will be supported by the Ad Hoc Noteholder Group on the terms of that agreement. Key terms of the plan of reorganization include:
 - Procedures for the sale to, or combination or merger with, a third party (a "Combination Transaction") involving all or substantially all of the Company's restructured equity or assets pursuant to a success proposal;
 - In the event that a Combination Transaction is not pursued, the equitization of a significant portion of the Company's prepetition funded debt and the provision of (i) a fully-backstopped equity rights offering to certain claimholders and interest holders at a 30% discount to plan equity value and (ii) new warrants for interests in the reorganized Company; a meaningful recovery to junior stakeholders and existing equityholders; and
 - A \$50 million new money debtor-in-possession financing facility financed by certain of the Company's lenders under its prepetition credit facility.

2. What is chapter 11?

- Chapter 11 is a section of the U.S. Bankruptcy Code that allows companies to reorganize their finances while continuing to operate their businesses.
- The chapter 11 filing triggers an automatic "stay" which prevents anyone from collecting debts, such as loan payments to creditors and noteholders, owed by the Company as of the filing date while the Company negotiates with its creditors to restructure its debt obligations.



- The chapter 11 filing does not change the regular work schedules of our operations and we will continue to operate in the ordinary course while we work through this process with our creditors.
- The Company has already filed a variety of customary motions with the Court that will allow us to smoothly transition into the chapter 11, including a Wages motion requesting that wages and salaries and benefits be paid and honored in the ordinary course of business.
- We will also continue to fulfill commitments to our business partners and suppliers in the normal course for goods or services provided on or after the filing date.

3. Why did Extraction take this action?

- Over the last year, Extraction's board of directors and management team have taken proactive steps to address the challenging oil and natural gas price environment. Among other initiatives, Extraction has worked to improve the company's capital efficiency and reduce its overall cost structure.
- Like many other exploration and production companies, Extraction's financial position has been significantly impacted by the COVID-19 pandemic and sustained downturn in oil and gas prices.
- Over the last several months, Extraction has discussed potential go-forward options and the steps the Company might need to take to strengthen the balance sheet and improve our overall cost structure in the current market environment.
- Undergoing a financial restructuring through a voluntary process represents the next phase for Extraction as we work with our creditors on a plan to right-size our balance sheet, further invest in our assets and generate long-term value for our stakeholders.
- The actions we intend to take will deleverage our balance sheet and enable us to devote even more of our resources to competing in today's market.
- We are confident in our future and believe that we will emerge as a stronger company.

4. Is Extraction going out of business? How will the expected court-supervised restructuring process affect day-to-day operations?

- No. We are taking the appropriate steps to ensure that we continue operating our business in the ordinary course and that our employees remain as unaffected as possible by the chapter 11 filing. We remain focused on maximizing the value of our high-quality assets.
- We have sufficient liquidity to run our business. Extraction received commitments from certain of its senior lenders for \$50 million in new financing, which, along with cash on hand and cash flow generated by ongoing operations, will be used to support the business and fund continued capital investment throughout the restructuring process.
- We have requested permission from the Bankruptcy Court to allow the company to, among other things, pay its obligations as they come due in the ordinary course of business. Such relief is typically granted in chapter 11, and we expect that our employees, vendors, and other stakeholders will be unaffected by the chapter 11 process.



- The chapter 11 cases will be managed separately from our regular operations, and most of you will see no change to your usual roles or routines during this time.
- Importantly, Extraction has assembled a high-quality asset base and has a substantial amount of cash on hand, which will allow the Company to operate in the normal course and maintain productive commercial relationships with its business partners and midstream counterparties.

5. How long will the restructuring process take?

- Extraction intends to move through the chapter 11 process as quickly and efficiently as possible. Prior to the chapter 11 filing we entered into a Restructuring Support Agreement with certain holders of our senior notes, and we are working with our key financial stakeholders on a consensual plan of reorganization. We plan to provide updates regarding the process in a timely manner.
- Consummation of the chapter 11 plan will be subject to confirmation by the Bankruptcy Court. The Plan is expected to be filed within 21 days of the bankruptcy filing date. Confirmation of the plan is anticipated to occur within approximately 6 months of the filing date.
- Important milestones and other information will be provided as the process continues.

6. Does Extraction have the liquidity to continue operating throughout this process? How do you know this will be enough?

- Yes, we have sufficient liquidity to run our business.
- Consistent with other companies across a variety of industries, we drew down cash on our revolver to maintain our liquidity. This cash on hand allows us to continue our daily business and satisfy obligations with minimal interruption if the external environment worsens.
- The financing we secured, and cash generated from the Company's ongoing operations will be used to maximize the value of our asset base and meet our obligations during the court-supervised process.

7. Will there be layoffs? Facility closings?

- We are operating as normal. Decisions regarding headcount and facilities will continue to be made based on the needs of the business.

8. Extraction has sold a number of assets over the past few years. Will there be more of this?

- The majority of assets we sold were non-core or non-operated.
- The actions we are now taking will significantly reduce our debt and enable us to devote even more of our resources to maximize the value of our assets.



9. Who is going to own the company after the chapter 11 process?

- Pursuant to the agreement between the Company and an ad hoc group of holders of the Company's senior notes, the holders of the Company's senior notes will own a majority of the Company's new equity upon confirmation of the Company's plan of reorganization.
- Consummation of the Company's plan of reorganization will be subject to confirmation by the Bankruptcy Court in addition to other conditions to be set forth in the plan of reorganization and related transaction documents.