IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	Chapter 11
ROSEHILL RESOURCES INC., *et al.*,[1]	Case No. 20-33695 (DRJ)
Debtors.	(Joint Administration Requested)

DECLARATION OF R. CRAIG OWEN IN SUPPORT OF THE DEBTORS' CHAPTER 11 PETITIONS AND REQUESTS FOR FIRST DAY RELIEF

I, R. Craig Owen, hereby declare under penalty of perjury, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am the Senior Vice President & Chief Financial Officer of Rosehill Resources Inc. ("RRI") and Rosehill Operating Company, LLC ("ROC"), each a debtor and debtor in possession (each, a "Debtor" and collectively, the "Debtors" or "Rosehill"). I have served as the Chief Financial Officer of Rosehill since June 2017. In this capacity, I am familiar with the Debtors' business, financial affairs, and day-to-day operations.

2. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief (the "Petitions") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") with the United States Bankruptcy Court for the Southern District of Texas (the "Court").

3. I submit this declaration (this "First Day Declaration"), pursuant to Rule 1007 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), to provide an overview of the Debtors' business and these chapter 11 cases (the "Chapter 11 Cases") and to support the

[1] The Debtors, along with the last four digits of each Debtor's tax identification number, are: Rosehill Resources Inc. (4262), and Rosehill Operating Company, LLC (1818). The Debtors' corporate headquarters and the mailing address for each Debtor is 16200 Park Row, Suite 300, Houston, TX 77084.

Debtors' applications and motions for "first day" relief (collectively, the "First Day Motions"). Except as otherwise indicated herein, all facts set forth in this First Day Declaration are based upon my personal knowledge of the Debtors' operations and finances, information learned from my review of relevant documents, information supplied to me by other members of the Debtors' management and the Debtors' professional advisors, or my opinion based on my experience, knowledge, and information concerning the Debtors' operations and financial condition. To the extent that any information provided herein is materially inaccurate, we will act promptly to notify the Court and other parties; however, I believe all information herein to be true to the best of my knowledge. I am authorized to submit this First Day Declaration on behalf of the Debtors and, if called upon to testify, I could and would testify competently to the facts set forth herein.

4. In addition to providing the factual support for the First Day Motions, the primary purpose of this First Day Declaration is to familiarize the Court with the Debtors, these Chapter 11 Cases and the relief sought in the First Day Motions. This First Day Declaration is organized as follows: Part I provides a general overview of Rosehill's business, corporate history, and corporate structure; Part II describes the Debtors' capital structure; Part III describes the events leading up to the commencement of these Chapter 11 Cases and Rosehill's prepetition restructuring efforts; and Part IV sets forth my basis for testifying to the facts underlying and described in each of the First Day Motions.

5. The Debtors continue to operate their businesses and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in these Chapter 11 Cases, and no committees have been appointed or designated. As set forth in Part IV, concurrently herewith, the

Debtors have filed a motion seeking joint administration of these Chapter 11 Cases pursuant to Bankruptcy Rule 1015(b).

INTRODUCTION[2]

6. The Debtors operate an independent oil and natural gas company focused on the acquisition, exploration, development and production of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin. As explained in more detail below, the Debtors' assets are concentrated in the Delaware Basin, a sub-basin of the Permian Basin, located in West Texas. The Debtors are headquartered in Houston, Texas. The Debtors also have office space in Midland, Texas.

7. The Debtors have suffered from a number of challenges over the past several years, including (a) historically depressed oil prices resulting from a "price war" in the spring and the macroeconomic effects of the COVID-19 pandemic, which have adversely impacted Rosehill's revenue, profitability, and liquidity, (b) an overleveraged balance sheet with quarterly payments due on an ROC Revolving Credit Facility, Secured Notes, Series A Preferred Stock (which may be paid in cash or in kind), and Series B Preferred Stock, and (c) events of default asserted by prepetition lenders under ROC's prepetition secured loan documents.

8. The Debtors have commenced these Chapter 11 Cases to implement a restructuring transaction supported and agreed to by (a) 100% of the lenders under the ROC Revolving Credit Facility (the "Revolving Credit Agreement Lenders"), which as of the Petition Date has an outstanding principal balance of approximately $226.4 million, (b) 100% of the holders of second lien Secured Notes (the "Secured Noteholders"), which as of the Petition Date are owed

[2] Capitalized terms used in this Introduction but not defined shall have the meaning ascribed thereto in the remainder of this First Day Declaration.

approximately $106.1 million, who also own 100% of RRI's outstanding Series B Preferred Stock, and (c) Tema Oil and Gas Company ("Tema," together with the Revolving Credit Agreement Lenders and the Secured Noteholders, the "Consenting Creditors") as (i) the holder of claims (the "TRA Claims") under the Tax Receivable Agreement, dated as of April 27, 2017 by and between RRA and Tema (the "TRA"), and (ii) the holder of approximately 66.8% of the voting equity interests in RRI, approximately 19.3% of the RRI Series A Preferred Stock, and 35.2% of the equity interests in ROC. The agreement among the Debtors and the Consenting Creditors is set forth in that Restructuring Support Agreement dated as of June 30, 2020, attached hereto as Exhibit A (the "Restructuring Support Agreement").

9. The Restructuring Support Agreement provides for the complete restructuring of the Debtors' funded debt and equity interests, while providing for the payment in full or reinstatement of the Debtors' general unsecured and other trade claims, and also providing an opportunity for the Debtors' preferred stockholders that are not parties to the Restructuring Support Agreement to receive value to the extent they support and do not object to the Plan. Pursuant to the Restructuring Support Agreement, the Debtors have agreed to the following material terms and transactions to implement the Debtors' restructuring:

DIP Facility: The Secured Noteholders and Tema have agreed to provide the Debtors with a $17.5 million junior convertible debtor-in-possession financing facility (the "DIP Facility"), which together with the consensual use of cash collateral, will fund the costs and expenses of these Chapter 11 Cases, as well as provide the Debtors the minimum liquidity necessary to exit chapter 11 with a sustainable balance sheet.

Chapter 11 Plan: The Debtors propose the *Joint Prepackaged Chapter 11 Plan of Reorganization of Rosehill Resources Inc., et al.* dated as of July 24, 2020 (the "Plan"), which is being filed contemporaneously with this First Day Declaration. The Plan provides for the following material recoveries:

(a) All holders of allowed general unsecured claims will be paid in full or reinstated.

(b) The equity in the reorganized ROC ("Reorganized ROC") will be distributed, directly or indirectly, as follows:

–The Secured Noteholders will receive 68.60% of the equity in Reorganized ROC on account of the ROC Secured Note Claims (as defined in the Plan).

– Holders of claims under the DIP Facility will receive 24.15% of the equity in Reorganized ROC, with an additional 1.69% of such equity being allocated among the Secured Noteholders and Tema based on a "DIP Backstop Fee."

–Tema will receive 4.08% of the equity in Reorganized ROC on account of the TRA Claims.

– If the class of RRI's preferred stock votes to accept the Plan, and no holder of RRI Series A Preferred Stock objects to the Plan, the holders of RRI's Series A Preferred Stock will receive 1.48% of the equity in Reorganized ROC (the "Preferred Stock Allocated Recovery"). If either (i) such class does not accept the Plan or (ii) any such holder objects to the Plan, then Tema will receive the Preferred Stock Allocated Recovery.

Exit RBL Credit Agreement: The Revolving Credit Agreement Lenders have agreed to amend the existing credit agreement with a restructured Exit RBL Credit Agreement (as defined in the Plan) with a $235 million borrowing base at exit, and a maturity date extended to four years after the Debtors' exit from bankruptcy.

10. The Debtors solicited votes with respect to the Plan from the Consenting Creditors prior to the Petition Date. The Plan was negotiated in good faith and agreed to by all of the Consenting Creditors, consisting of (i) 100% of the Revolving Credit Agreement Lenders, (ii) 100% of the Secured Noteholders, in their capacities as holders of (a) 100% of the ROC Secured Note Claims, and (b) 100% of RRI's Series B Preferred Stock, and (iii) Tema, in its capacity as the holder of (a) 100% of the TRA Claims, which is the only class of known claims at RRI, and (b) 19.3% of of RRI's Series A Preferred Stock. Further, the Restructuring Support Agreement requires all of the Consenting Creditors to vote in favor of the Plan prior to the voting deadline for Consenting Creditors, which is July 27, 2020 at 5:00 p.m. (prevailing Central Time). The Debtors believe that the restructuring transactions implemented through the Plan, which will have the

support of the Debtors' largest stakeholders in these Chapter 11 Cases, are in the best interests of their stakeholders and the Debtors' estates, allowing for an expeditious emergence from chapter 11 and representing the best available alternative in light of the volatility in the commodity markets. Accordingly, the Debtors seek to efficiently administer these Chapter 11 Cases and reorganize pursuant to the Plan, which will maximize value and recoveries for the Debtors' stakeholders.

I. The Debtors' Business and Operations

A. The Debtors' Corporate History.

11. RRI was originally incorporated in September 2015 as a special purchase acquisition company under the name KLR Energy Acquisition Corporation ("KLRE"). KLRE changed its name to Rosehill Resources Inc. in April 2017, when it acquired a portion of the equity of ROC, which was then a wholly-owned subsidiary of Tema. This transaction was completed through a business combination (the "Business Combination"), pursuant to which, among other things, (a) Tema contributed and transferred to ROC a portion of its assets and liabilities, (b) RRI contributed to ROC $35 million in cash and issued to ROC 29,807,962 shares of newly created Class B common stock, both of which were immediately distributed to Tema, (c) ROC assumed $55 million in Tema indebtedness (the "Tema Liabilities"), (d) RRI contributed to ROC remaining proceeds of RRI's initial public offering in March 2016, and (e) RRI issued to ROC 4 million warrants exercisable for shares of RRI Class A common stock (the "Tema Warrants") in exchange for 4 million warrants exercisable for ROC's common units, with the Tema Warrants immediately distributed to Tema.

12. As a result of the Business Combination, RRI acquired common units in ROC and continues to own approximately 64.7% of the common units in ROC, with Tema owning the

remaining approximately 35.3% of such common units. RRI further owns 100% of the Series A and Series B Preferred Units issued by ROC. Tema further acquired 100% of the Class B Common Stock issued by RRI, which represents 35.3% of the voting stock in RRI. Tema further owns approximately 49% of the Class A Common Stock issued by RRI, and 100% of the Class B Common Stock, for a total of approximately 66.8% of the total voting equity in RRI, as well as approximately 19.3% of the RRI Series A Preferred Stock.

13. The Business Combination made use of an Up-C structure. In an Up-C structure, the public corporation (RRI) only owns equity in a pass-through entity (ROC), while the remaining equity in the pass-through entity is owned, (directly or indirectly) by the historic owners of the prior operation business or assets (Tema). Tema is entitled to have each of its ROC Common Units redeemed for Class A Common Stock in RRI. Any redemption of ROC Common Units results in a corresponding termination of Tema's Class B Common Stock in RRI.

14. In connection with the Business Combination, Tema and RRI also entered into the TRA. Among other things, the TRA provides for the payment by RRI to Tema of 90% of the net cash savings, if any, in U.S. federal, state, and local income tax that RRI actually realizes or is deemed to realize in certain circumstances as a result of increases in the tax basis in the assets of ROC and benefits attributable to imputed interest. RRI retains the benefit of the remaining 10% of the cash savings. The TRA is a liability of RRI, not ROC. However, under that certain Second Amended and Restated Limited Liability Company Agreement, dated as of December 8, 2017 (the "ROC LLC Agreement"), RRI receives distributions directly from ROC to satisfy its obligations under the TRA.

B. Corporate Structure of the Debtors and Non-Debtor Affiliates

15. The Debtors in these Chapter 11 Cases are RRI and ROC. ROC is the operating entity through which Rosehill's upstream oil and gas business is operated. RRI is the managing member of ROC.[3] Attached hereto as Exhibit B is an organizational chart showing the ownership of the Debtors.

16. ROC voting Common Units are held by RRI (64.7%) and Tema (35.3%). ROC has also issued to RRI non-voting Series A Preferred Units and Series B Preferred Units. The Series A Preferred Units and Series B Preferred Units are issued to RRI in the same amount and terms as the Series A Preferred Stock and Series B Preferred Stock, each described below, issued by RRI to its preferred equity-holders.

17. The equity interests in RRI are described below in Section II.C.

C. The Debtors' Business and Assets

18. All of the Debtors' assets, including all oil and gas leases, are held by ROC. ROC is also the sole operating entity for the Debtors. RRI has no operations, and its only significant asset is its approximately 64.7% equity interest in ROC. Rosehill operates in a single industry segment—the exploration, development, and production of oil and natural gas. Rosehill's upstream business involves the development and production of oil and natural gas from its working interests, which consisted of approximately 15,785 gross acres as of December 31, 2019 in the Delaware Basin, located in West Texas. Rosehill divides its operations into two core areas: the Northern Delaware Basin (4,625 gross acres) and the Southern Delaware Basin (11,160 gross acres).

[3] Prior to the Petition Date, ROC owned 100% of the equity interests of three non-Debtor entities, (a) Rosehill Intermediate Holdco, LLC, (b) Rosehill Holdco, LLC, and (c) Rosehill Mergerco, LLC (collectively, the "Non-Debtor Subsidiaries"). The Non-Debtor Subsidiaries never owned any assets and had no liabilities, and never conducted any business. On April 28, 2020, the Non-Debtor Subsidiaries were dissolved.

19. Since 2012, Rosehill (including its predecessors) has drilled 89 gross horizontal wells in the Northern Delaware Basin and 17 gross horizontal wells in the Southern Delaware Basin. In 2019, Rosehill's oil production was approximately 20,786 net Boe/d. Through May 2020, Rosehill's average net production for 2020 was approximately 16,268 Boe/d.

20. Rosehill currently operates or owns working interests in 133 oil and gas wells. Of these wells, Rosehill operates 128 completed oil and gas wells that are producing or capable of production. Of these wells, 74 wells are currently producing. Over the last several months, as a result of unprecedented declines in oil prices and demand for oil and natural gas related to the COVID-19 pandemic and OPEC price war, Rosehill has shut in approximately 47 wells, which are intended to be shut in for a period of time due to market pricing, or are shut in with the intention or option to perform additional work and bring them back online. Rosehill also operates 5 drilled uncompleted wells. All of Rosehill's operated wells are all located in Loving County and Pecos County, Texas. Rosehill also owns working interests in 3 oil and gas wells in Loving County, Texas, and 1 oil and gas well in Eddy County, New Mexico, which Rosehill does not operate. As of December 31, 2019, Rosehill had an average working interest of 95.7% in its productive wells.

21. Rosehill has halted all drilling and completion activity for 2020. This has resulted, and is expected to continue to result, in a reduction in anticipated production and cash flow, because Rosehill will only realize revenue from existing productive wells, which production will decline over time, and from any settlements associated with its commodity hedging agreements.

22. As of December 31, 2019, Rosehill's proved reserves are as set forth below:

Product	Provided Developed Reserves	Proved Undeveloped Reserves	Proved Reserves
Oil (MBbls)	23,967	16,749	40,716
Natural gas (MMcf)	36,643	27,517	64,160
Natural gas liquids (MBbls)	6,301	5,053	11,354
Total (MBoe)	36,375	26,388	62,763

23. Approximately 95% of Rosehill's commodity revenues in 2019 came from oil sales, with 4% from natural gas liquid ("NGL") sales, and the remaining 1% from natural gas sales. In 2019, Rosehill produced 5,411 MBbls of oil, 6,352 MMcf of natural gas, and 1,117 MBoe of NGLs, with a total average daily net production of 20,786 Boe/d. Through May 2020, ROC's average daily net production for 2020 was approximately 16,268 Boe/d.

24. In 2019, Rosehill realized approximately $302.3 million in revenue, compared to $301.9 million in 2018. The increase in sales revenue was due to an increase in sales volume, which was partially offset by a decrease in average sales price. In 2019, Rosehill's total operating expenses were $239 million, compared to $235.6 million in 2018. Through May 2020, Rosehill has realized $70.7 million in revenue, with total operating expenses of $98.6 million (excluding impairment expense).

25. While Rosehill's revenue and operations have been substantially and negatively impacted by the decline in prices for oil and natural gas, Rosehill successfully utilized the substantial value in its existing hedge agreements. In order to manage its exposure to price risks in the marketing of oil, natural gas, and NGL production, and subject to certain requirements under the ROC Revolving Credit Facility and Note Purchase Agreement (each as defined below), Rosehill entered into oil, natural gas, and NGL price hedging arrangements with respect to its anticipated production.

26. As a material term of the Restructuring Support Agreement, and in order to reduce the outstanding debt under the ROC Revolving Credit Facility, between the execution of the Restructuring Support Agreement and the Petition Date, the Debtors monetized all of their existing commodity hedging arrangements (the "RSA Hedge Monetization"). These transactions have resulted in approximately $87.6 million in net proceeds, which have been used to prepay a portion

of the principal and interest under the ROC Revolving Credit Facility. As of the Petition Date, the Debtors have no existing oil, natural gas, and NGL price hedging arrangements, although the Debtors anticipate entering into new postpetition commodity hedging arrangements, to the extent authorized by the Court (as described further below).

27. In addition, as of June 30, 2020, the Debtors had interest rate swaps covering a total of $150 million of their outstanding borrowings under the ROC Revolving Credit Facility at a fixed rate of 1.721% (the "Prepetition Interest Rate Swaps"). As of the Petition Date, the Debtors had a net current liability of approximately $2.3 million and a net non-current liability of approximately $2.6 million with respect to the Prepetition Interest Rate Swaps. The Prepetition Interest Rate Swaps were not monetized prepetition, and rather will "ride through" these Chapter 11 Cases.

D. The Debtors' Sales

28. The Debtors transport and sell their oil, gas, and NGL production through gathering, processing, transportation, and sale agreements with a relatively small number of customers. For the year ending December 31, 2019, approximately 94% of Rosehill's sales were to three customers. In June 2020, approximately 90% of Rosehill's sales were to four customers. The Debtors' gathering, processing, and transportation agreements generally provide for specific rates per volume of commodity transferred and/or processed through the counterparties' gathering system. The Debtors' sales agreements contain customary terms and conditions for the oil and natural gas industry, and which generally provide for sales based on prevailing market prices in the area, less certain fees. The Debtors sell natural gas and NGLs under contracts with terms

generally greater than twelve months, and all of their oil is sold under contracts with terms less than twelve months.

E. Corporate Governance and Restructuring Special Committee

29. RRI is managed by a seven-member board of directors (the "RRI Board") comprised of: (a) three directors affiliated with Tema; (b) one director affiliated with KLR Energy Sponsor, LLC ("KLR Sponsor"); and (c) three independent directors. A majority of the members of the RRI Board have significant experience in the oil and gas industry.

30. On April 4, 2020, the RRI Board approved the formation of a special restructuring committee (the "Restructuring Special Committee"), consisting of independent directors of the RRI Board. The Restructuring Special Committee was given authority to, among other things, investigate, evaluate, and negotiate a restructuring or sale involving Rosehill's assets, liabilities, and/or corporate structure (each, a "Restructuring Transaction"), recommend to the RRI Board whether to pursue any Restructuring Transaction, and to complete definitive documentation of any such Restructuring Transaction.

31. Rosehill, through the Restructuring Special Committee, and their respective advisors have spent substantial time and effort attempting to negotiate and broker a consensual Restructuring Transaction among the Revolving Credit Agreement Lenders, the Secured Noteholders, and Tema, which is in the best interests of all stakeholders.

II. The Debtors' Prepetition Capital Structure

32. As of the Petition Date, the Debtors have approximately $29 million of cash, approximately $326.4 million in total principal amount outstanding under their funded secured debt obligations, approximately $11.8 million in royalty obligations and approximately $24.5 million in total outstanding unsecured debt obligations. The funded secured debt obligations

consists of a (a) secured ROC Revolving Credit Facility (defined below), with an outstanding principal amount of approximately $226.4 million, and (b) series of Secured Notes (defined below) with an outstanding principal amount of $100 million.

A. The ROC Revolving Credit Facility

33. On March 28, 2018, the Debtors entered into that certain ROC Revolving Credit Agreement, by and among ROC, as borrower, RRI, JPMorgan Chase Bank, N.A. ("JPMorgan"), as administrative agent, and the Revolving Credit Agreement Lenders (as amended, supplemented, or modified, the "ROC Revolving Credit Agreement"), which provides for the Debtors' reserve-based lending facility (the "ROC Revolving Credit Facility"). Pursuant to that certain Second Amended and Restated Security Agreement, dated as of March 28, 2018, the ROC Revolving Credit Facility is secured by substantially all of the assets of ROC. The ROC Revolving Credit Facility has a maximum commitment of $500 million, but is limited to the applicable borrowing base pursuant to the terms of the ROC Revolving Credit Agreement. As of the Petition Date, the borrowing base is $340 million.

34. As of the date of the Restructuring Support Agreement, the principal balance under the ROC Revolving Credit Facility was approximately $314 million. As described above, between entry into the Restructuring Support Agreement and the Petition Date, the Debtors used the proceeds of the RSA Hedge Monetization to reduce the principal balance under the ROC Revolving Credit Facility. As of the Petition Date, approximately $226.4 million in principal is outstanding under the ROC Revolving Credit Facility.

35. The maturity date of the ROC Revolving Credit Facility is August 31, 2022, which is subject to automatic extension to March 28, 2023 upon satisfaction of certain terms. The ROC Revolving Credit Facility accrues interest at a rate per annum equal to: (a) the alternative base

rate plus an applicable margin of 1%–2% based on the borrowing base utilization percentage; or (b) adjusted LIBOR plus an applicable margin of 2%–3% based on the borrowing base utilization percentage. As of the Petition Date, the Debtors have no outstanding letters of credit under the ROC Revolving Credit Facility.

B. Second Lien Secured Notes

36. On December 8, 2017, ROC entered into that certain Note Purchase Agreement, dated as of December 8, 2017 (the "Note Purchase Agreement"), pursuant to which ROC, as issuer, RRI, U.S. Bank National Association ("U.S. Bank"), as agent, and the Secured Noteholders agreed to the terms pursuant to which ROC would issue $100 million in notes (the "Secured Notes") to the Secured Noteholders. The Secured Noteholders are funds, accounts, or other entities managed or advised by EIG Management Company, LLC or its affiliates (collectively, "EIG"). The Secured Notes are secured by substantially all of the assets of ROC. The Secured Notes have a maturity date of January 31, 2023.

37. The liens securing the Secured Notes are subordinated to the liens securing the ROC Revolving Credit Facility, pursuant to the terms of that certain Intercreditor Agreement, dated as of December 8, 2017 (the "Intercreditor Agreement"), by and between PNC Bank, National Association (the predecessor agent to JPMorgan under the ROC Revolving Credit Facility), and U.S. Bank.

38. The Secured Notes bear interest at 10.0% per annum, which is paid quarterly. Interest on the Secured Notes was last paid on March 31, 2020. On May 8, 2020, U.S. Bank declared an event of default under the Note Purchase Agreement, and asserted a right to default interest under the Secured Notes. In the absence of forbearance or agreement on a restructuring

transaction, these defaults and events of defaults could have permitted JPMorgan or U.S. Bank to exercise certain remedies against the Debtors.

39. As of the Petition Date, approximately $100 million in principal is outstanding under the Secured Notes. On June 30, 2020, the Debtors failed to pay an approximately $2.5 million interest payment due under the Note Purchase Agreement (the "Secured Notes Interest Payment").

C. Equity in RRI

40. RRI has issued four classes of stock, as set forth below:

41. Class A Common Stock: As of July 2, 2020, there are 27,006,726 shares of Class A Common Stock issued by RRI, and 23,656,854 outstanding warrants that are exercisable for Class A Common Stock at a price of $11.50 (the "Class A Warrants"), and 1,937,305 outstanding units comprising Class A Common Stock and Class A Warrants (the "Class A Units"). RRI's Class A Common Stock, certain Class A Warrants, and certain Class A Units are listed on The Nasdaq Capital Market under the ticker symbols "ROSE", "ROSEW", and "ROSEU", respectively. RRI's Class A Common Stock accounts for 64.7% of the voting equity in RRI. Holders of Class A Common Stock have the right to vote for the election of directors and on all matters properly submitted to a vote of the stockholders. Holders of Class A Common Stock and Class B Common Stock (described below) vote together as a single class, with each share of common stock entitled to one vote.

42. As of March 23, 2020, the Debtors were informed that the Class A Common Stock had closed below the $1.00 per share minimum bid price required for continued listing on The Nasdaq Capital Market. RRI has until December 3, 2020, to regain compliance. If RRI has not regained compliance by that date, the Class A Common Stock may face delisting. At the time of

filing for bankruptcy, the Debtors plan to commence the process to voluntarily delist the Class A Common Stock, the Class A Warrants and the Class A Units from Nasdaq and to deregister such securities under the Exchange Act.

43. Class B Common Stock: As of July 2, 2020, there are 15,707,692 shares of Class B Common Stock issued by RRI. Shares of Class B Common Stock may only be issued to Tema, as well as any permitted transferees of Tema. RRI's Class B Common Stock accounts for 35.5% of the voting equity in RRI.

44. Series A Preferred Stock: As of July 2, 2020, there are 107,658 shares of 8.00% Series A Cumulative Perpetual Convertible Preferred Stock (the "Series A Preferred Stock"). Holders of Series A Preferred Stock are entitled to quarterly dividends at an annual rate of 8% on the $1,000 liquidation preference per share of the Series A Preferred Stock, payable in cash or in kind, at RRI's sole discretion. The Series A Preferred Stock does not have any voting rights.

45. Series B Preferred Stock: As of July 2, 2020, RRI has issued 156,746 shares of 10.00% Series B Preferred Stock (the "Series B Preferred Stock"). All Series B Preferred Stock is outstanding and held by EIG. Holders of Series B Preferred Stock are entitled to quarterly cash dividends, at a rate of 10.00% per annum on the $1,000 liquidation preference per share of Series B Preferred Stock. On April 15, 2020, RRI missed the quarterly dividend payment on the Series B Preferred Stock. This resulted in an increase of the dividend rate from 10.0% to 12.0% and the payment of the dividend to be made in kind. The Series B Preferred Stock does not have any voting rights, but it provides holders with consent rights over certain transactions. The Series A Preferred Stock and Series B Preferred Stock are *pari passu*.

D. Shareholders' and Registration Rights Agreement

46. On December 20, 2016, RRI, Tema, KLR Sponsor, and Anchorage Illiquid Opportunities V, L.P. and AIO AIV 3 Holdings, L.P. (collectively, "Anchorage")[4] entered into that *Shareholders' and Registration Rights Agreement* (the "SHRRA"). Pursuant to the SHRRA, and subject to specified ownership thresholds, KLR Sponsor is entitled to designate two directors for appointment to the RRI Board, Tema is entitled to designate four directors, and Anchorage is entitled to designate one director.

E. Tax Receivable Agreement

47. The TRA is the only non-equity interest in RRI. The TRA generally provides that, in the event of an exchange by Tema of its interests in ROC for shares of RRI stock, RRI is required to pay Tema an amount equal to 90% of any net tax benefits actually realized by RRI as a result of the exchange. No payments have been made under the TRA.

48. In the event of a "Change of Control" of RRI or upon the rejection of the TRA in bankruptcy, the TRA provides for payment by RRI to Tema an amount equal to 90% of a deemed tax benefit, regardless of whether any actual tax benefits exist or are expected to arise. The TRA defines "Change of Control" to include, among other things, a disposition by RRI of all or substantially all of its assets. The Restructuring Transaction under the Plan is expected to constitute a Change of Control, and the TRA is being rejected under the Plan in order to prevent any go-forward obligation of the Reorganized Debtors under the TRA after the Effective Date. For purposes of the Plan and the settlements contained therein, the Debtors calculate the TRA Claims to be in the amount of $89,258,411.

[4] Anchorage is a holder of Series A Preferred Stock issued by RRI.

49. ROC is not directly liable to Tema with respect to any amounts owed under the TRA. However, as stated above, under the ROC LLC Agreement, RRI is entitled to receive distributions from ROC to satisfy its obligations under the TRA.

E. Operating Debt and Similar Obligations

50. In connection with the Debtors' ordinary course obligations, the Debtors accrue certain goods and services on credit. The total outstanding obligations due and owing to royalty owners, vendors, suppliers, and other trade creditors are approximately $36.3 million.

51. The Debtors' cash on hand as of the Petition Date is approximately $28.6 million. The primary uses of the Debtors' cash have been to finance the operating business, service indebtedness, and fund capital expenditures.

III. Circumstances Leading to the Commencement of these Chapter 11 Cases

A. Challenges Facing the Debtors' Business

52. With current commodity prices, Rosehill has struggled to generate sufficient cash to service the substantial quarterly payments required under the ROC Revolving Credit Facility, Secured Notes, and the Series B Preferred Stock and to repay any borrowing base deficiency under the ROC Revolving Credit Facility resulting from a scheduled redetermination. In 2019, Rosehill paid approximately $42.4 million in cash on account of these debt and preferred equity obligations.

53. The Debtors' ability to maintain positive cash flow and continue to service their ongoing debt and preferred stock obligations have been further deterred by the unprecedented levels of volatility in the first several months of 2020, and the macroeconmic effects of the COVID-19 pandemic.

54. The first main geopolitical event to impact oil prices was the dispute between OPEC and Russia. In March 2020, members of OPEC and Russia considered extending and potentially

increasing previously agreed upon oil production cuts that were set to expire. Negotiations around these issues were unsuccessful, resulting in Saudi Arabia announcing an immediate reduction in export prices. As a result, Russia announced that all previously agreed oil production cuts would expire on April 1, 2020. This led to an immediate and steep decrease in oil prices.

55. In April 2020, Russia and OPEC reached a tentative agreement to reduce global output in April 2020. But prices in the oil and gas market have still remained depressed, as there is still an oversupply and lack of demand in the market. Consequently, the uncertainty around the future of oil prices and the impact that it will have on Rosehill's revenue adds to its needs to address its current financial situation.

56. On March 9, 2020, the West Texas Intermediate ("WTI") index—the benchmark for U.S.-based oil exploration and production companies—declined 24.59% in a single day. Since mid-March, major oil indexes have experienced numerous subsequent drops and U.S. indexes have staggered between approximately $11 per barrel and $40 per barrel. The price for WTI currently sits at approximately $40 per barrel. As 95% of Rosehill's commodity revenues come from oil sales based on WTI pricing, these price reductions have substantially undermined Rosehill's ability to generate sufficient cash flow to service its debt and preferred equity obligations, to repay any borrowing base deficiency under the ROC Revolving Credit Facility resulting from a scheduled redetermination, and also to fund capital expenditures to drill and complete new wells on Rosehill's properties.

57. In March 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. This resulted in many governments around the world implementing restrictive measures in an attempt to control the spread of the virus. As a result, global economies have come to a near standstill, resulting in financial hardships for many companies operating in the oil and

gas industry. Such stagnation in economic activity has led to a decrease in demand for, and an oversupply of, oil and natural gas products.

58. The instability of commodity prices has caused the Debtors to shut in approximately 47 wells, and halt their drilling and completion activity. This has resulted in a substantial decrease of production with respect to the Debtors' working interests. The lack of production could result in the loss of working interests. Certain of the Debtors' undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is resumed or those leases are modified or renewed. As of December 31, 2019, the Debtors held approximately 15,785 gross acres (13,219 net acres). However, in the first and second quarters of 2020, due to the cessation of drilling and completion activity, the Debtors lost 2,226 net acres, and will lose approximately 1,076 net acres the rest of 2020.

B. Prepetition Restructuring Efforts

59. Rosehill has been pursuing restructuring efforts through a potential out-of-court transaction since late 2019. In November 2019, Rosehill began working with Jefferies as its investment banker to explore a potential sale of all or a portion of Rosehill's assets. At the direction of Rosehill, Jefferies began discussions with potential counterparties in December 2019. Through this process, Jefferies contacted approximately nine potential strategic buyers and merger partners.

60. In January 2020, Rosehill submitted a merger proposal to a strategic counterparty. In February 2020, Rosehill received two merger proposals from strategic merger parties. Rosehill and Jefferies continued discussions and negotiations with these potential merger parties through May 2020. However, all proposals required varying levels of equitizing Rosehill's capital structure in order for any merger transaction to be possible. As a result, in February 2020, Rosehill

expanded Jefferies' mandate to include advising the company on a comprehensive restructuring of Rosehill's balance sheet. While Rosehill continued discussion with potential M&A counterparties, it has been unable to come to agreement with any counterparty on terms of any potential merger or business combination.

61. As part of ongoing merger discussions and in the event that an out-of-court merger or sale transaction could not be completed, in late-March 2020, the RRI Board directed Jefferies to begin negotiations with the key stakeholders at both RRI and ROC to negotiate a global restructuring of the Debtors' capital structure. Based on this direction, Jefferies immediately began discussions with (a) JPMorgan, as agent under the ROC Revolving Credit Facility, (b) EIG, as the holder of the Secured Notes and Series B Preferred Stock, and (c) Tema as the majority stockholder and TRA claimant. In connection therewith, on April 4, 2020, the RRI Board formed the Restructuring Special Committee, comprised of independent members of the RRI Board, to negotiate and recommend to the full RRI Board a Restructuring Transaction.

62. The timeline to complete a Restructuring Transaction was shortened by alleged events of default under the ROC Revolving Credit Facility and Secured Notes. Under the ROC Revolving Credit Agreement and the Note Purchase Agreement, ROC was obligated to provide to the Revolving Credit Agreement Lenders and U.S. Bank, respectively, audited financial statements for the fiscal year ended December 31, 2019, on or before March 30, 2020. ROC did not timely deliver its audited financial statements, and on April 1 and 2, 2020, respectively, U.S. Bank and JPMorgan delivered to RRI notices of default and reservations of right. On April 14, 2020, RRI filed its 10-K for the fiscal year ended December 31, 2019, which included the audited financial statements of RRI filed with the SEC. These financial statements included a qualification as to RRI's ability to continue operating as a going concern. The Debtors believe that, under the terms

of the ROC Revolving Credit Agreement and the Note Purchase Agreement, the filing of RRI's financial statements with its 10-K and concomitant delivery of related certifications cured the defaults under the ROC Revolving Credit Agreement and the Note Purchase Agreement. JPMorgan and U.S. Bank, however, have not conceded that the delivery of RRI's audited financial statements with a going concern qualification cured any defaults. On May 8, 2020, U.S. Bank delivered a Notice of Event of Default arising under the Note Purchase Agreement.

63. On May 4, 2020, Rosehill entered into that *Forbearance Agreement*, dated as of May 4, 2020 (the "Forbearance Agreement"), between Rosehill, JPMorgan, as agent under the ROC Revolving Credit Facility, and the Revolving Credit Agreement Lenders (as defined under the Forbearance Agreement) (collectively, the "Forbearance Agreement Parties"). Pursuant to the Forbearance Agreement, JPMorgan and the Revolving Credit Agreement Lenders agreed to forbear on exercising any remedies under the ROC Revolving Credit Agreement for specified events of default alleged by JPMorgan, including an alleged default arising out of a going concern qualification on RRI's audited financial statements. Pursuant to the terms of the Forbearance Agreement, the Debtors were required to enter into a term sheet with certain of their principal stakeholders with respect to the terms of a consensual restructuring (a "Restructuring Term Sheet") on or before May 29, 2020. The Forbearance Agreement Parties subsequently entered into three extensions of the Forbearance Agreement on May 29, 2020, June 5, 2020 and June 12, 2020 (the "Forbearance Agreement Extensions") to allow sufficient time to finalize a fully consensual Restructuring Term Sheet.

64. The Debtors used the breathing spell afforded by the Forbearance Agreement and Forbearance Agreement Extensions to conduct hard fought, arm's-length negotiations with the Consenting Creditors, ultimately resulting in an agreement on a Restructuring Transaction that

provides for a comprehensive restructuring of the Debtors' capital structure memorialized in the Restructuring Support Agreement. The Restructuring Transaction agreed to by the Debtors and the Consenting Creditors provides for a holistic solution to the Debtors' financial concerns prior to the Petition Date by, among other things (a) re-setting the borrowing base under the ROC Revolving Credit Facility and extending the maturity date, (b) equitizing approximately $190 million in secured and unsecured debt of the Debtors, (c) providing an opportunity for RRI's Series A preferred stockholders to receive a recovery, and (d) injecting $17.5 million of new money on a junior convertible basis that would not be available in the absence of consensus among the parties and these Chapter 11 Cases.

65. On June 30, 2020, the Debtors and the Consenting Creditors entered into the Restructuring Support Agreement, which sets forth the terms and conditions with respect to the Restructuring Transaction to be implemented through the Plan. The Plan and the Restructuring Support Agreement contemplate that the Restructuring Transaction will provide, *inter alia*, the following:[5]

- ***Revolving Credit Facility***. In addition to the RSA Hedge Monetization described above, which reduced the principal balance of the ROC Revolving Credit Agreement to approximately $226.4 million, upon the effective date of the Plan (the "Effective Date"), the ROC Revolving Credit Agreement will be amended and modified as described in the Plan, including so that the maturity date of the Revolving Credit Agreement shall be extended to the fourth anniversary of the Effective Date of the Plan, and the borrowing base of the ROC Revolving Credit Facility shall be reduced to $235 million, consisting of a $200 million conforming borrowing base loan and a $35 million non-conforming borrowing base loan.

- ***Reorganized ROC, Reorganized RRI and New Rosehill Holdco.*** Upon the Effective Date, all property of the Debtors' Estates, except RRI's equity interests in ROC, shall vest, subject to the Restructuring Transactions, in Reorganized ROC.

  A newly created entity ("New Rosehill IntermediateCo") shall be formed upon the Effective Date of the Plan, and shall own the limited liability membership interests in

[5] Capitalized terms in this paragraph 64 but not defined shall have the meaning ascribed to them in the Plan.

Reorganized ROC (the "Reorganized ROC Units") that are distributed pursuant to the Plan on account of (i) the TRA Claims, (ii) Tema's Allowed DIP Claims, and (iii) the Preferred Stock Allocated Recovery.

If the Holders of RRI Preferred Equity Interests receive the Preferred Stock Allocated Recovery pursuant to the terms of the Plan, then, on the Effective Date, RRI shall reorganize pursuant to and under the Plan ("Reorganized RRI," and together with Reorganized ROC and New Rosehill IntermediateCo, the "Reorganized Debtors"), and shall own 9.16% of the limited liability membership interests in New Rosehill IntermediateCo (the "New Rosehill IntermediateCo Units"). If the Holders of RRI Preferred Equity Interests do not receive the Preferred Stock Allocated Recovery, then a distribution on account of the Preferred Stock Allocated Recovery will be made to Tema and RRI will be dissolved in accordance with Delaware law only if Tema does not receive such distribution through an interest in Reorganized RRI, which shall be determined by the Debtors, Tema and the Secured Noteholders in their reasonable discretion.

The Reorganized Debtors will be privately-owned on the Effective Date. An organizational chart reflecting the ownership structure of the Reorganized Debtors is attached hereto as Exhibit C.

- ***DIP Facility.*** On the Effective Date, the principal amount of the DIP Facility shall be converted into 24.15% of the limited liability company interests of Reorganized ROC, *provided*, that any Pro Rata share distributed to the Tema DIP Lender shall be distributed to New Rosehill IntermediateCo and the Tema DIP Lender shall be distributed New Rosehill IntermediateCo Units. As described in more detail in the Plan, the DIP Facility provides for payment of 8% DIP Interest which is paid-in-kind monthly and a 100 bps upfront fee (the "DIP Upfront Fee") which may only be paid upon the Effective Date, provided that the DIP Interest and DIP Upfront Fee shall be paid in Cash on the Effective Date only if (x) the Secured Notes Interest Payment (as defined below) has been made in full in Cash and (y) the Minimum Liquidity Condition[6] is satisfied after giving effect to the Secured Notes Interest Payment and any portion of the DIP Interest and DIP Upfront Fee that is to be paid. The DIP Facility also provides for a 7% DIP Backstop Fee, which will be paid on the Effective Date as 1.69% of the Reorganized ROC Units, with the allocation of such DIP Backstop Fee being as set forth in the DIP Documents, *provided*, that any Pro Rata share distributed to the Tema DIP Lender shall be distributed to New Rosehill IntermediateCo and the Tema DIP Lender shall be distributed New Rosehill IntermediateCo Units. The

[6] "Minimum Liquidity Condition" means the requirement under the Exit RBL Credit Agreement that, on the Effective Date, after giving pro forma effect to the Restructuring Transactions (other than payments of any amounts that are subordinated to the payment of the Minimum Liquidity Condition at issue), the Reorganized Debtors have not less than $20,000,000 of liquidity (with "liquidity" being the sum of unrestricted Cash (which shall include Cash subject to a Lien in favor of the Exit RBL Credit Agreement Agent) and unused availability under the conforming borrowing base under the tranche of revolving loans under the Exit RBL Credit Agreement); provided that, unused availability for purposes of calculating the Minimum Liquidity Condition on the Effective Date shall be Required Exit Availability.

Reorganized ROC Units issued in exchange for the DIP Facility are subject to dilution from equity (the "MIP Equity") granted pursuant to a management incentive plan (the "Management Incentive Plan") to be adopted by the board of directors of Reorganized ROC (the "Reorganized ROC Board").

- ***Secured Noteholders***. On the Effective Date, each Secured Noteholder will receive its pro rata share of 68.60% of the Reorganized ROC Units, subject to dilution from the MIP Equity, in exchange for all of the ROC Secured Note Claims. To the extent the Minimum Liquidity Condition is satisfied on the Effective Date, as adequate protection, the Debtors shall pay to the Secured Noteholders the approximately $2.5 million Secured Notes Interest Payment that was not timely paid prior to the Petition Date.

- ***Tema***. On the Effective Date, Tema will receive 4.08% of the Reorganized ROC Units, subject to dilution from the MIP Equity, in exchange for all of the TRA Claims; *provided* that, if the Preferred Stock Allocated Recovery is not distributed to the Holders of RRI Series A Preferred Stock as set forth below and in the Plan, then the Preferred Allocated Stock Recovery shall be indirectly distributed to Tema on account of the TRA Claims in the form of either New Rosehill IntermediateCo Units or Reorganized RRI Units pursuant to the terms of the Plan; *provided, further*, that, any distribution to Tema as the Holder of the Allowed TRA Claims or the Tema DIP Lender (including the Tema DIP Lender's portion of the DIP Backstop Fee), shall be indirectly distributed to Tema in the form of New Rosehill IntermediateCo Units and, exclusive of the Preferred Stock Allocated Recovery, Tema shall be distributed approximately 90.84% of the New Rosehill IntermediateCo Units.

- ***RRI Series A Preferred Stock and RRI Series B Preferred Stock.*** The RRI Preferred Equity Interests—the RRI Series A Preferred Stock and the RRI Series B Preferred Stock—are classified under the Plan as Class 6A. On the Effective Date, if (a) the class of RRI Preferred Equity Interests votes to accept the Plan and no Holder of RRI Preferred Equity Interests objects to the Plan, including the allowance or priority of the TRA Claims, as described in more detail herein and in the Plan, then (b) Holders of the RRI Preferred Equity Interests will receive their pro rata shares of 1.48% of the Reorganized ROC Units, subject to dilution from the MIP Equity (the Preferred Stock Allocated Recovery), in exchange for their RRI Preferred Equity Interests, with Holders of RRI Series B Preferred Stock waiving any right to distribution of such Reorganized ROC Units and such units being distributed solely to the Holders of RRI Series A Preferred Stock, *provided*, that any distribution to Holders of RRI Preferred Equity Interests shall be indirectly distributed in the form of common stock of Reorganized RRI (the "Reorganized RRI Shares", and, together with the Reorganized ROC Units and the New Rosehill IntermediateCo Units, the "New Equity Interests"); and *provided, further*, that, upon the Effective Date, Holders of RRI Preferred Equity Interests shall own 100% of the Reorganized RRI Shares, and Reorganized RRI shall own approximately 9.16% of the New Rosehill IntermediateCo Units. In the absence of satisfying this condition, the Preferred Stock Allocated Recovery will be distributed to Tema on account of the TRA Claims as set forth above.

If (a) the class of RRI Preferred Equity Interests does not vote to accept the Plan or any Holder of RRI Preferred Equity Interests objects to the Plan, including the allowance or priority of the TRA Claims, then (b) Holders of RRI Preferred Equity Interests shall receive no portion of the Preferred Allocated Stock Recovery as set forth in the immediately preceding paragraph and the Preferred Allocated Stock Recovery will be distributed to Tema on account of the TRA Claims as set forth above and in the Plan.

- ***General Unsecured Claims Against the Debtors***. On the Effective Date, each Holder of a general unsecured claim against the Debtors will, in the Debtors' discretion, receive payment in full in cash or will be reinstated, but for the avoidance of doubt, no general unsecured claim against the Debtors will receive payment prior to the applicable amount becoming due and payable against the Debtors.

- ***Other RRI and ROC Equity Interests***. Holders of Interests in ROC and Holders of the RRI Common Equity Interests will not receive any distribution on account of such Interests and such Interests will be cancelled, released and extinguished on the Effective Date and will be of no further force and effect.

66. In addition, the Debtors and the Consenting Creditors have agreed to meet certain milestones in the Restructuring Support Agreement to ensure timely confirmation of the Plan and emergence from chapter 11 (the "RSA Milestones"). Among other things, the RSA Milestones require the Court to enter an order confirming the Plan no later than 60 days after the Petition Date, and the Effective Date under the Plan must occur no later than 75 days after the Petition Date.

67. The Debtors believe the RSA Milestones are appropriate under the circumstances, and will allow the Debtors to emerge from chapter 11 on an expedited basis. The Debtors believe that any longer chapter 11 case may significantly impair their ability to satisfy the conditions to the Effective Date under the Plan, and ultimately to reorganize under chapter 11 and that the Restructuring Transaction contemplated by the Restructuring Support Agreement and as forth in the Plan are in the best interest of all stakeholders and the Debtors' estates.

C. Prepetition Solicitation of the Plan

68. On July 24, 2020, Epiq Corporate Restructuring, LLC ("Epiq"), the Debtors' proposed claims, noticing, and solicitation agent, served on all holders of claims and interests

against or in the Debtors entitled to vote on the Plan the *Disclosure Statement for Joint Prepackaged Chapter 11 Plan of Reorganization of Rosehill Resources Inc., et al.* (the "Disclosure Statement"), ballots, and other solicitation materials. All of the Consenting Creditors are required by the Restructuring Support Agreement to vote in support of the Plan by July 27, 2020 at 4:00 p.m. (prevailing Central Time). The Debtors are requesting that the Court set August 21, 2020 at 4:00 p.m. (prevailing Central Time), as the voting deadline for holders of Series A Preferred Stock that are not Consenting Creditors.

IV. Evidentiary Support for First Day Motions

69. Concurrently with the filing of their chapter 11 petitions, the Debtors have filed certain First Day Motions seeking relief that the Debtors believe is necessary to enable them to operate in these Chapter 11 Cases with minimal disruption and loss of productivity. The Debtors respectfully request that the relief requested in each of the First Day Motions be granted because such relief is a critical element in stabilizing and facilitating the Debtors' operations during the pendency of these Chapter 11 Cases. I have reviewed each of the First Day Motions. All of the facts set forth in the First Day Motions are true and correct to the best of my knowledge and belief based upon (a) my personal knowledge of the Debtors' operations and finances, (b) information learned from my review of relevant documents, (c) information supplied to me by other members of the Debtors' management team and the Debtors' advisors, and/or (d) my opinion based upon my knowledge and experience or information I have reviewed concerning the Debtors' operations and financial condition. A summary of the relief requested in each First Day Motion and the facts supporting each First Day Motion is set forth below. The First Day Motions (each as described in more detail below) include:

a) *Debtors' Emergency Motion for Entry of an Order (I) Directing the Joint Administration of the Debtors' Chapter 11 Cases and (II) Granting Related Relief* (the "Joint Administration Motion");

b) *Debtors' Application for Appointment of Epiq Corporate Restructuring, LLC as Claims, Noticing, and Solicitation Agent* (the "156(c) Application");

c) *Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to File a Consolidated Creditor Matrix and List of the 30 Largest General Unsecured Creditors, (II) Waiving the Requirement to File a List of Equity Security Holders, (III) Authorizing the Debtors To Redact Certain Personal Identification Information, and (IV) Granting Related Relief* (the "Consolidated Creditors Motion")

d) *Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing (A) the Maintenance of the Cash Management System; (B) Maintenance of the Existing Bank Accounts; (C) Continued Use of Existing Business Forms; (D) Continued Performance of Intercompany Transactions in the Ordinary Course of Business and Grant of Administrative Expense Status for Postpetition Intercompany Claims; (E) Continued Use of Credit Cards and (F) Granting Related Relief* ("Cash Management Motion");

e) *Debtors' Emergency Motion for Entry of an Order Authorizing Payment of (A) Certain Prepetition Wages, Salaries, and Other Compensation and (B) Certain Employee Benefits and Other Associated Obligations* (the "Employee Wage Motion");

f) *Debtors' Emergency Motion for Entry of an Order (A) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Service; (B) Approving the Debtors' Proposed Adequate Assurance of Payment for Postpetition Services; and (C) Establishing Procedures for Resolving Requests for Additional Adequate Assurance of Payment* (the "Utilities Motion");

g) *Debtors' Emergency Motion for Entry of Interim and Final Orders (A) Authorizing, But Not Directing, the Debtors to Pay Certain Prepetition Taxes and Obligations and (B) Granting Related Relief* (the "Tax Motion");

h) *Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing (A) Continuation, Renewal Modification, or Extension if the Insurance Policies and Surety Bond Program, (B) Payment of Prepetition and Post-Petition Obligations Incurred in the Ordinary Course of Business in Connection with the Insurance Policies And Surety Bond Program, and (C) Banks to Honor and Process Checks and Electronic Transfer Requests Related Thereto* (the "Insurance Motion");

i) *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (a) Perform Under and Amend Prepetition Hedging Arrangements, (b) Enter Into, and Perform Under, Postpetition Hedging Arrangements, (c) Grant Liens and Superpriority Administrative Expense Claims, and (II) Granting Related Relief* (the "Hedging Arrangements Motion");

j) *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Payment of Mineral Obligations and Lienable E&P Operating Expenses; and (II) Granting Related Relief* (the "E&P Interests Motions"); and

k) *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral; (II) Granting Adequate Protection to Prepetition Secured Parties; (III) Modifying the Automatic Stay; (IV) Scheduling a Final Hearing; and (V) Granting Related Relief* (the "DIP Financing and Cash Collateral Motion"); and

l) *Debtors' Emergency Motion for Entry of an Order (I) Scheduling a Combined Disclosure Statement Approval and Plan Confirmation Hearing, (II) Conditionally Approving the Disclosure Statement, (III) Approving the Confirmation Timeline, Solicitation and Voting Procedures, Solicitation Package, and Notices, (IV) Approving the Notice and Objection Procedures for the Assumption of Executory Contracts and Unexpired Leases, and (V) Waiving the Requirement to Holder the Creditors' Meeting and File SOFAs and Schedules* (the "Scheduling Motion").[7]

A. Joint Administration Motion

70. In the Joint Administration Motion, the Debtors request entry of an order providing for the joint administration of these Chapter 11 Cases for procedural purposes only. Specifically, the Debtors request that the Court provide for joint administration by (a) establishing a joint docket and file for these Chapter 11 Cases, (b) approving the filing of a joint pleading caption, and

[7] Capitalized terms in this this Part IV not otherwise defined herein have the meanings set forth in the respective First Day Motions.

(c) directing an entry be made on the docket of ROC to reflect the joint administration of these Chapter 11 Cases.

71. Given the integrated nature of the Debtors' operations, joint administration of these Chapter 11 Cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders that will arise in these Chapter 11 Cases will jointly affect all Debtors. The entry of an order directing joint administration of these Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections and will allow the Office of the United States Trustee and all parties in interest to monitor these Chapter 11 Cases with greater ease and efficiency.

72. I believe that the relief requested in the Joint Administration Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest. Accordingly, on behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be approved.

B. The 156(c) Application

73. In the 156(c) Application, the Debtors seek entry of an order authorizing the Debtors to retain Epiq as their claims, noticing, solicitation, and administrative agent in these Chapter 11 Cases, including assuming full responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in these Chapter 11 Cases. The Debtors, with the assistance of their advisors, have obtained and reviewed engagement proposals from at least two other court-approved claims and noticing agents to ensure selection through a competitive process. Moreover, I submit, based on all engagement proposals obtained and reviewed, that Epiq's rates are competitive and reasonable given Epiq's quality of services and expertise. Although the Debtors have not yet filed their schedules of assets and liabilities, they anticipate that there will be potentially thousands of entities to be noticed. In view of the number

of anticipated claimants and the complexity of the Debtors' businesses, the Debtors submit that the appointment of a claims and noticing agent is in the best interests of both the Debtors' estates and their creditors, and is consistent with Section C of the *Procedures for Complex Chapter 11 Cases in the Southern District of Texas*.

C. Consolidated Creditors Motion

74. In the Consolidated Creditors Motion, the Debtors request entry of an order (a) authorizing the Debtors to file a consolidated creditor matrix and list of the 30 largest general unsecured creditors in lieu of submitting separate mailing matrices and creditor lists for each Debtor, (b) waiving the requirement to file a list of and provide notice directly to the debtors' equity security holders, (c) authorizing the Debtors to redact certain personal identification information, and (d) granting related relief.

75. The relief requested in the Consolidated Creditors Motion will promote administrative efficiency and preserve value of the Debtors' estates for the benefit of all parties in interest. Accordingly, I believe that the relief requested in the Consolidated Creditors Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest and, for the reasons set forth herein and in the Consolidated Creditors Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Consolidated Creditors Motion should be granted.

D. Cash Management Motion

76. In the Cash Management Motion, the Debtors request entry of an order (a) authorizing the Debtors to (i) continue to use their Cash Management System (as defined below), (ii) maintain the Debtors' existing Bank Accounts, (iii) continue to use existing Business Forms, (iv) continue to perform regarding the Intercompany Transactions, and related thereto granting

administrative expense status for postpetition Intercompany Claims, (v) in their discretion, to (A) pay any Bank Account related fees and (B) to close or otherwise modify the terms of certain of the Bank Accounts and open new debtor in possession accounts as may be necessary to facilitate their Chapter 11 Cases and operations, or as may otherwise be necessary to comply with the requirements of any debtor in possession financing and/or cash collateral order entered in these cases, (vi) continue using the Credit Cards and paying pre-petition amounts owing thereunder, and (vii) deposit funds in and withdraw funds from all Bank Accounts, subject to the same access rights and limitations existing prior to the Petition Date, including, but not limited to, checks, wire transfers, automated clearinghouse transfers, electronic funds transfers, and other debits and to treat the Bank Accounts for all purposes as debtor in possession accounts and (b) granting related relief.

77. As described in detail in the Cash Management Motion, the Debtors' business requires the collection, payment, and transfer of funds through numerous bank accounts. In the ordinary course of business and prior to the Petition Date, the Debtors maintained a centralized cash management system (the "Cash Management System"). Like other large businesses, the Debtors designed their Cash Management System to efficiently collect, transfer, and disburse funds generated through the Debtors' operations and to accurately record such collections, transfers, and disbursements as they are made. The Debtors' financial personnel manage the Cash Management System from the Debtors' headquarters in Houston, Texas. Each general category of account is described in the Cash Management Motion and a diagram of the Cash Management System is annexed as Exhibit C thereto.

78. The relief requested in the Cash Management Motion is vital to ensuring the Debtors' seamless transition into bankruptcy. I believe that the relief requested in the Cash

Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in these Chapter 11 Cases with minimal disruption, thereby benefiting all parties in interest. Accordingly, for the reasons set forth herein and in the Cash Management Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Cash Management Motion should be granted.

E. Employee Wage Motion

79. In the Employee Wage Motion, the Debtors request entry of an order authorizing, but not directing, the Debtors, in their sole discretion, to (a) pay and/or remit, as applicable, (i) the Unpaid Wage Obligations, (ii) the Unremitted Withholdings Obligations, (iii) the Unpaid PTO Obligations, (iv) the Unpaid Reimbursable Expense Obligations, (v) the Health Plan Costs, (vi) the Unpaid Employee Insurance Coverage, (vii) the Unpaid Workers' Compensation Claims, (viii) the Unremitted 401(k) Contributions, and (ix) the Unpaid Other Benefit Program Expenses (b) pay and/or remit, as applicable, the Director Compensation, the Retention Bonuses (in the Final Order only) and the Pumper Bonuses (in the Final Order only) to eligible non-Insider Employees, ((a) and (b) collectively, together with all costs and fees incident to the foregoing, collectively, the "Employee Obligations"), and (c) continue to honor and/or collect, as applicable, (i) the Wage Obligations, (ii) the Withholding Obligations, (iii) the Severance Plan for non-Insiders (in the Final Order only), (iv) the Retention Bonus Program for non-Insiders (in the Final Order only), (v) the Pumper Retention Program for non-Insiders (in the Final Order only), (vi) the PTO Program, (vii) the Reimbursement Program, (viii) the Health Plans, (ix) the Employee Insurance Program, (x) the Workers' Compensation Program, (xi) the Unpaid Workers' Compensation Claims, (xii) the 401(k) Plan, and (xiii) the Other Benefit Programs (collectively, the "Employee Plans and Programs").

80. The Employees and Independent Contractors are the lifeblood of the Debtors' business, and their value cannot be overstated. The institutional knowledge, experience, and skills of the Employees and Independent Contractors are essential to the Debtors' ability to preserve and maximize the value of the Debtors' assets during these Chapter 11 Cases. The Employees and Independent Contractors perform critical functions for the Debtors, including, among many other things, well maintenance, engineering, accounting, legal, finance, management, supervisory, and administrative functions.

81. The relief requested in the Employee Wage Motion is necessary for the Debtors to be able to maintain morale, continue to maintain the business, and preserve creditor confidence in the Debtors' continued operations. If the Debtors cannot assure their Employees and Independent Contractors that the Debtors will promptly pay Employee Obligations, as applicable, to the extent allowed under the Bankruptcy Code, and continue to honor, as applicable, the Employee Plans and Programs, the Debtors believe that certain Employees and Independent Contractors will likely seek employment elsewhere.

82. The loss of Employees and Independent Contractors at this juncture would have a material adverse impact on the Debtors' businesses and ability to maximize value through the administration of these Chapter 11 Cases. This is particularly true given that the Debtors have recently reduced their work force from 89 to 30 full-time employees, resulting from (i) a reduction in force (the "RIF") that the Debtors underwent on March 27, 2020, where the Debtors eliminated 52 full-time employees, and (ii) seven terminations or resignations in addition to the RIF since December 31, 2019. The remaining Employees are those that the Debtors deemed absolutely critical to their ongoing obligations, and in many respects they are performing work beyond their original duties. In light of the substantial reduction in the Debtors' workforce through the RIF, the

harm from any loss of any employee would be compounded, as the Debtors have already narrowed their workforce to a critical number of essential Employees. By way of example, the Debtors currently have approximately 30 employees. A loss of only 3 employees would be a 10% reduction in the Debtors' workforce, which would cause a significant set-back.

83. Replacing any departing Employees while the Debtors are in chapter 11 without a set exit plan would not likely result in the quality of employee that the company currently enjoys. For this reason, it is essential that the Debtors be authorized to continue honoring the Employee Obligations and Employee Plans and Programs, including the Severance Program, Retention Bonus Program and Pumper Retention Program, each limited to non-Insiders. The relief requested in the Employee Wage Motion is necessary for the Debtors to be able to maintain morale, continue to maintain the business, and preserve creditor confidence in the Debtors' continued operations.

84. Accordingly, for the reasons set forth herein and expanded on in the Employee Wage Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Employee Wage Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in these Chapter 11 Cases with minimal disruption, thereby maximizing value for the estates.

F. Utilities Motion

85. In the Utilities Motion, the Debtors request an order (a) prohibiting the Utility Providers from (i) altering, refusing, or discontinuing utility services to, or discriminating against, the Debtors on account of any outstanding amounts for services rendered prepetition or (ii) drawing upon any existing security deposit, surety bond, or other form of security to secure future payment for utility services, (b) determining that adequate assurance of payment for postpetition utility services has been furnished to the Utility Providers providing services to the Debtors, and

(c) establishing procedures for resolving future requests by any Utility Provider for additional adequate assurance of payment.

86. In conjunction with their day-to-day operations, the Debtors receive traditional utility services from various Utility Providers for, among other things, electricity, telecommunications, steam, water, gas, and sewer and other similar services (collectively, the "Utility Services"). A non-exhaustive list of the Utility Providers is annexed to the Utilities Motion as Exhibit B thereto. The Debtors paid an average of approximately $159,000 per month on account of all Utility Services for the preceding 12-month period.

87. I believe and am advised that the requested relief is necessary or else the Debtors could be forced to address numerous requests by the Utility Providers in a disorganized manner during the critical first few weeks of these Chapter 11 Cases. Moreover, a termination of or disruption in Utility Services could significantly disrupt the Debtors' business operations and shrink their revenues, thereby jeopardizing the Debtors' chances to maximize recoveries for creditors. It is, therefore, critical that Utility Services continue uninterrupted during these Chapter 11 Cases.

88. Accordingly, for the reasons set forth herein and in the Utilities Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Utilities Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses during the course of these Chapter 11 Cases with minimal disruption.

G. Tax Motion

89. In the Tax Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors, in the exercise of their reasonable business judgment, to pay Taxes (as defined below) without regard to whether such obligations accrued or arose before or after the Petition Date.

90. In the ordinary course of business, the Debtors (a) incur certain tax liabilities, including Sales and Use Taxes, Franchise Taxes, Margin Taxes Production Taxes, Royalty Withholding Taxes, Property Taxes, and Regulatory Assessments and Other Taxes (collectively, the "Taxes") necessary to operate their business and (b) remit such Taxes to applicable taxing and other regulatory authorities (collectively, the "Authorities").

91. The Debtors pay the Taxes monthly, quarterly or annually to the respective Authorities, in each case as required by applicable laws and regulations. As of the Petition Date, the Debtors believe that they are substantially current in the payment of assessed and undisputed Taxes. Certain Taxes attributable to the prepetition period, however, have accrued and will not come due until after the Petition Date. Additionally, certain Authorities may not have been paid or may have been sent checks for Taxes that may or may not have been presented or cleared as of the Petition Date.

92. The Debtors must continue to pay the Taxes to continue operating in certain jurisdictions and to avoid costly distractions during these Chapter 11 Cases. Specifically, it is my understanding that the Debtors' failure to pay the Taxes could adversely affect the Debtors' business operations and the value of their assets because the Authorities could suspend the Debtors' operations, file liens against the Debtors' assets, or seek to lift the automatic stay to pursue remedies against the Debtors. In addition, certain Authorities may take precipitous action against the Debtors' directors and officers for unpaid Taxes, which undoubtedly would distract

those key individuals from their duties related to the Debtors' restructuring efforts during the pendency of these Chapter 11 Cases. The Debtors seek authority to pay the Taxes, if any, that remain outstanding as of the Petition Date, and future Taxes that accrue in the ordinary course of business as and when such obligations become due and owing.

93. Accordingly, for the reasons set forth herein and in the Tax Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Tax Motion is in the best interest of the Debtors' estates and creditors because it will enable the Debtors to continue to operate their businesses while these Chapter 11 Cases are pending.

H. Insurance Motion

94. In the Insurance Motion, the Debtors request entry of an order authorizing, but not directing, the Debtors to authorizing (a) the Debtors to continue, renew, modify, supplement or extend their insurance policies and surety bond program, or obtain new insurance policies or surety bonds as needed in the ordinary course of business; (b) the Debtors to honor all of their prepetition and postpetition insurance obligations and surety bond obligations in the ordinary course of business; and (c) all banks and financial institutions (collectively, the "Banks") to honor and process checks and electronic transfer requests related thereto.

95. As described in the Insurance Motion, in the ordinary course of their businesses, the Debtors maintain certain policies, including, but not limited to, auto liability, workers' compensation liability, general liability, control of well liability, directors and officers liability, employment practices liability, fiduciary liability, and crime liability, and various other insurance programs through several different insurance carriers (collectively, the "Insurers") under the insurance contracts (collectively, the "Insurance Policies"), as summarized in Exhibit C annexed to the Insurance Motion. The Debtors' Insurance Policies all renewed their annual policy terms

on April 27, 2020, and entered into a new directors and officers liability insurance "tail" coverage on May 18, 2020 (the "D&O Tail Policy"). The total premiums for the 2020/2021 coverage period and the D&O Tail Policy total approximately $10.2 million in the aggregate. To the best of my knowledge, no outstanding premiums are owing as of the Petition Date.

96. The Debtors employ Alliant Insurance Services, Inc. as their insurance broker (the "Broker"). The Broker is compensated for services rendered from commissions built into the premiums paid to the Debtors' insurance underwriters. The Broker's fees were paid in connection with the renewal of the Insurance Policies Prior to the Petition Date.

97. The Insurance Policies are essential to preserving the value of the Debtors' business operations and their assets. In many cases, the insurance coverage provided by the Insurance Policies is required by various regulations, laws, and contracts that govern the Debtors' business and commercial activities.

98. The Debtors' business also requires them to provide surety bonds (the "Surety Bonds") to certain third parties, including governmental units and other public agencies to secured the Debtors' payment or performance of certain obligations. These obligations relate to (i) oil and natural gas drilling, and (ii) general performance obligation bonds. The Debtors' sureties under the Surety Bonds (collectively, the "Sureties") provide, upfront, the full amount of the requested cash and cash equivalents to the requesting party on behalf of the Debtors, in exchange for, among other things, a fee from the Debtors to secure the Surety Bond issuance on the Debtors' behalf. As of the Petition Date, the Debtors have two Surety Bonds outstanding, which collectively provide approximately $400,000 in aggregate coverage for facilities and assets leased, owned, or operated by the Debtors. The premiums for the Surety Bonds for the 2020/2021 coverage period totaled approximately $6,065.00.

99. The Debtors obtain Surety Bonds primarily through the Broker, who also serves as their Surety Bond broker. The Broker is compensated for services rendered from commission built into premiums paid to the Debtors' Surety Bond underwriters. As of the Petition Date, the Debtors do not believe they owe any prepetition amounts to the Broker with respect to any Surety Bond fees.

100. For the reasons set forth herein and in the Insurance Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Insurance Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in compliance with contractual and regulatory requirements and to safeguard the value of their estates.

I. Hedging Arrangements Motion

101. In the Hedging Arrangements Motion, the Debtors request entry of an order (a) authorizing the Debtors to: (i) perform under the existing Prepetition Interest Rate Swaps, including paying any prepetition and postposition amounts owed thereunder; (ii) enter into Postpetition Hedging Agreements (as defined below), and perform under Postpetition Hedging Arrangements with the Hedge Counterparties (each as defined below), (iii) maintain or assign or transfer the Prepetition Interest Rate Swaps from the Prepetition Hedging Agreements (as defined below) to the Postpetition Hedging Agreements, and (iv) grant Hedge Counterparties party to the Prepetition Interest Rate Swaps with (A) adequate protection liens and superpriority claims, on account of adequate protection for any diminution in the value of the collateral arising from any action or inaction in these Chapter 11 Cases, and (B) with respect to Postpetition Hedging Arrangements, provide the Hedge Counterparties or any Prepetition First Lien Lender (or affiliate thereof) that are party to new Postpetition Hedging Arrangements with superpriority administrative

claims and senior priming first priority liens in the DIP Collateral (as defined in the DIP Orders), subject to the Carve Out, and (b) modifying the automatic stay, to the extent necessary.

102. As is customary in the Debtors' industry, in the ordinary course of business, the Debtors enter into financial derivative contracts with certain of the Revolving Credit Agreement Lenders or their affiliates (collectively, the "Hedge Counterparties"),[8] in each case in accordance with the ROC Revolving Credit Agreement, the Note Purchase Agreement, and the Hedge Policy (as defined below), to hedge the Debtors' exposure to pricing risk in oil, natural gas, natural gas liquid production, and interest rates (the "Hedging Arrangements").

103. In addition to the Prepetition Interest Rate Swaps described above, prepetition, the Debtors hedged a significant portion of their production with the Hedge Counterparties. As of June 30, 2020, the Debtors had open commodity derivative contracts for the months of July 2020 through December 2022, consisting of three-way costless collars and fixed price swaps, covering a total of 8.5 million barrels of oil and 3.9 million MMBtus of natural gas (the "Commodity Derivatives"). As of June 30, 2020, the Debtors also had crude oil basis swaps covering a total of 7.9 million barrels of oil, crude oil roll swaps covering a total of 1.1 million barrels of oil, and natural gas basis swaps covering a total of 1.1 million MMBtus of natural gas (together with the Commodity Derivatives, the "Prepetition Commodity Hedging Arrangements" and, together with the Prepetition Interest Rate Swaps, the "Prepetition Hedging Arrangements").

104. Pursuant to the terms of the Restructuring Support Agreement, the Debtors have monetized all of their prepetition commodity Hedging Arrangements by effecting the RSA Hedge Monetization described above, but have left in a total of $150 million of the Prepetition Interest

[8] The Hedge Counterparties are JPMorgan Chase Bank, N.A., Bank of Montreal, CitiBank, N.A., ING Capital Markets, LLC, SunTrust Bank, and Fifth Third Financial Risk Solutions or affiliates thereof.

Rate Swaps. As of July 9, 2020, the Debtors had a net current liability of approximately $2.3 million and a net non-current liability of approximately $2.6 million with respect to the Prepetition Interest Rate Swaps.

105. Further, pursuant to the Restructuring Support Agreement, within 10 business days after the Petition Date, the Debtors are obligated to enter into new commodity Hedging Arrangements with one or more Hedge Counterparties ("Postpetition Hedging Arrangements"), which will be governed by either (i) the existing ISDA Master Agreements (including the schedules thereto) governing the Prepetition Hedging Arrangements entered into by the Debtors and Hedge Counterparties prior to the Petition Date (the "Prepetition Hedging Agreements"), or (ii) modified or amended and restated versions of the existing ISDA Master Agreements, or new ISDA Master Agreements (including the schedules thereto) (collectively, the "Postpetition Hedging Agreements"), in either case, with terms specific to debtors in possession. I understand that, pursuant to the Restructuring Support Agreement, the Debtors agreed that any Postpetition Hedging Arrangements shall be entered into pursuant to standards that have been agreed in advance by the Debtors, the Majority DIP Lenders (as defined in the Restructuring Support Agreement), and by the First Lien Agent, in their reasonable discretion (the "RSA Standards Requirement").

106. The Debtors' Hedging Arrangements are entered into pursuant to a hedge policy (the "Hedge Policy") approved by the RRI Board. The Hedge Policy establishes a committee consisting of the Debtors' CEO, CFO and other members of the Debtors' senior management, as designated by the CEO (the "Hedge Committee") responsible for developing and implementing the day-to-day hedge program underlying the Company's overall hedging strategy. The Hedge Policy requires the Hedge Committee to review the results of the Debtors' Hedging Arrangements

quarterly with the RRI Board. Companies in the Debtors' industry routinely use guidelines such as the Hedge Policy to ensure that Hedging Arrangements are closely monitored and are in the best interests of all the company's stakeholders.

107. Entering into or continuing Hedging Arrangements in compliance with the Hedge Policy and the RSA Standards Requirement is key to maximizing the value of the Debtors' estates. Although hedges cannot entirely insulate a company from commodity and interest rate volatility risk, they provide a vital measure of protection by stabilizing cash flows. This stability benefits the Debtors and their stakeholders by increasing the likelihood that the Debtors will have enough revenues to service their debt and meet their other financial obligations, particularly during this highly uncertain time for the Debtors' industry. Moreover, the Hedge Policy establishes parameters for transaction governance, including valuation and risk parameters and reporting processes applicable to all transactions under the Hedging Arrangements, thereby ensuring that the Hedging Arrangements are closely scrutinized and in the best interests of the Debtors and all parties in interest.

108. For the reasons set forth herein and in the Hedging Arrangements Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the Hedging Arrangements Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to preserve and maximize the value of their Hedging Arrangements.

J. E&P Interests Motion

109. In the E&P Interests Motion, the Debtors request entry of an interim and final order (a) authorizing, but not directing, the Debtors to pay or apply in the ordinary course of business any and all amounts owed in connection with the Mineral Obligations and Lienable E&P Operating Expenses; and (b) granting related relief.

110. In connection with their working interests, the Debtors are typically obligated, pursuant to their oil and gas leases and certain other agreements, to provide to the mineral owner and holders of certain other interests, claims, or rights to payment (collectively, the "Mineral and Other Interests") the amounts to which such parties may be entitled under the oil and gas lease or other operative documents (the "Royalties"). The Royalties on the Debtors' properties generally range from 12.5% to 25.0%, and are divided into three different categories – lease royalty interests, overriding royalty interest, and nonparticipating royalty interest.

111. Additionally, in their capacity as operator, the Debtors are obligated to market oil and gas production on behalf of certain owners of non-operating working interests (the "Non-Op Working Interests"). Following the sale of marketed production and the receipt of proceeds attributable thereto, the Debtors are obligated to remit to holders of Non-Op Working Interests their share of the proceeds net of all applicable deductions (the "Non-Op Working Payments").

112. Failure to pay the Royalties or Non-Op Working Payments when due could expose the Debtors to enforcement actions and actions by the owners of the Royalties and Non-Op Working Payments for breach of contract, conversion, or other claims for damages for breach of the relevant oil and gas lease or other document creating such payment. Such enforcement actions could result in the assertion of significant secured or unsecured claims against the property of the estate. Further, for certain oil and gas leases, including those granted by the United States or agencies of individual states, the non-Debtor counterparty may have a statutory or contractual right to seek termination of the lease as a remedy for a breach, such as failure to pay Royalties and Non-Op Working Payments. This could expose the Debtors to the forfeiture, cancellation, or termination of oil and gas leases. Any such adverse action would have a material adverse effect upon the Debtors and their operations.

113. In addition, the Debtors hold Non-Op Working Interests in certain wells under various JOAs to which the Debtors are party. In such instances, the Debtors receive payments representing their share of production revenues and then reimburse the operators for their share of capital expenditures and production costs through payment of joint-interest billings (the "JIB(s)" and together with Royalties and Non-Op Working Payments, the "Mineral Obligations"). Rights to payment of JIBs often are secured under contractual lien rights or statutory lien rights in favor of the operator against the Debtors' interest in the respective wells or are subject to recoupment and setoff. Specifically, the rights to payment of the JIBs are secured under the JOAs. The Debtors seek authority to may JIBs in order to prevent the accrual or potential enforcement of secured claims against the Debtors' estates.

114. Finally, in the ordinary course of business, in their role as operators of certain oil and gas leases, the Debtors contract with certain vendors, contractors, subcontractors, and drillers (the "E&P Claimants") for goods and services necessary to operate wells. As operators, the Debtors are obligated to pay either through direct payment, or by credit offset, all expenses owed to the E&P Claimants (the "Lienable E&P Operating Expenses"), including amounts related to gathering, transportation, and processing expenses, capital expenditures, and lease operating expenses. Payment of the Lienable E&P Operating Expenses is critical to the protection of the Debtors' business operations. Without the requested relief, E&P Claimants may assert liens on almost every part of the Debtors' business operations, including the Debtors' property or the property of the Debtors' third-party working interest partners, such as wells and the production therefrom. As such, the Debtors' revenues and their relationships with joint interest owners could be jeopardized if the Court does not authorize the Debtors to pay the Lienable E&P Operating Expenses.

115. For the reasons set forth herein and in the E&P Interests Motion, on behalf of the Debtors, I respectfully submit that the relief requested in the E&P Interests Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest.

K. DIP Financing and Cash Collateral Motion

116. In the DIP Financing and Cash Collateral Motion, I understand that the Debtors seek authority to utilize cash collateral, enter into the DIP Facility and obtain related relief. I believe that sufficient post-petition financing is necessary to send a strong market signal that these Chapter 11 Cases are well funded. I believe a seamless transition into chapter 11 and the ability to continue operations uninterrupted is imperative to preserve market share, the reputation of the Debtors' businesses, and the loyalty and goodwill of the Debtors' customers, suppliers, and employees.

117. I also believe that by immediately bolstering the Debtors' balance sheet with incremental liquidity and ensuring that the Debtors have access to additional liquidity in the future, the DIP Facility also will send a positive and credible message to the Debtors' workforce and commercial counterparties that the Debtors will have sufficient liquidity and continue to operate and manage their businesses in a manner as close to the ordinary course as possible.

L. Scheduling Motion

118. Pursuant to the Scheduling Motion, (a) scheduling a Combined Hearing to consider approval of the Disclosure Statement and confirmation of the Plan, (b) conditionally approving the Disclosure Statement on shortened notice, (c) approving the Confirmation Timeline, (d) approving the Solicitation and Voting Procedures and Solicitation Package, (e) approving the Combined Hearing Notice, Publication Notice and Non-Voting Status Notices and Opt-Out Forms, (f) approving notice and objection procedures for the Debtors' assumption or, as applicable,

assumption or assignment, of Executory Contracts and Unexpired Leases, and (g) waiving the requirements to hold the Creditors' Meeting and to file SOFAs and Schedules.

119. The relief requested in the Scheduling Motion, including compliance with the Confirmation Timeline set forth below, is critical to ensure compliance with the RSA Milestones and achieve an expeditious resolution to these Chapter 11 Cases.

EVENT	DATE
Voting Record Date	July 16, 2020
Solicitation Commencement Date	July 24, 2020
Petition Date	July 26, 2020
Consenting Creditor Voting Deadline	July 27, 2020, at 4:00 p.m. CT
Cure Notice Filing Deadline	August 7, 2020
Plan Supplement Filing Deadline	August 14, 2020
Non-Consenting Creditor Voting Deadline	August 21, 2020, at 4:00 p.m. CT
Release Opt-Out Deadline	August 21, 2020, at 4:00 p.m. CT
Objection Deadline	August 21, 2020, at 4:00 p.m. CT
Reply Deadline	August 25, 2020
Combined Hearing Date	August 28, 2020

120. For the reasons set forth herein and in the Scheduling Motion, I respectfully submit that approval of the Scheduling Motion is in the best interest of the Debtors and all of their creditors and will maximize the value of their estates.

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In conclusion, for the reasons stated herein and in each First Day Motion, I respectfully request that each First Day Motion be granted in its entirety, together with such other and further relief as the Court deems just and proper. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: July 26, 2020

/s/ R. Craig Owen
R. Craig Owen
Senior Vice President & Chief Financial Officer
Rosehill Resources Inc.