



## **Royalty Owner Frequently Asked Questions**

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### **1. Why did Sanchez Energy file for Chapter 11?**

- Over the last year, the Sanchez Energy Corporation board of directors and management team have taken proactive steps to address the challenging oil and natural gas price environment, including stabilizing its production profile, improving its capital efficiency and reducing its overall cost structure.
- To that end, Sanchez Energy and certain of its subsidiaries have voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas (the “Court”).
- The Company’s decision to take this action follows an extensive review of strategic alternatives to align its capital structure with the continued low commodity price environment.
- Undergoing a financial restructuring through a voluntary process represents the next phase for Sanchez Energy, as we work with our creditors on a plan to right-size our balance sheet, further invest in our assets and generate long-term value for our stakeholders.
- Importantly, Sanchez Energy has assembled a high-quality asset base and has significant liquidity, comprised of cash on hand and \$175 million of new committed financing, to operate in the normal course.
- At the same time, we intend to maintain productive relationships with our business partners and midstream counterparties.

### **2. What corporate entities are included in the filings?**

- Sanchez Energy and certain of its subsidiaries have filed for Chapter 11.
- Non-recourse subsidiary SN EF UnSub, LP and certain other unrestricted subsidiaries of the Company are not included in these Chapter 11 proceedings.
- Sanchez Oil & Gas (SOG) and Sanchez Midstream Partners (SNMP) are not included in this Chapter 11 filing and did not file for bankruptcy.

### **3. How will the filing affect day-to-day operations at Sanchez Energy? Does Sanchez Energy have sufficient liquidity to continue operating throughout this process?**

- Sanchez Energy has significant liquidity to operate in the normal course. Sanchez Energy is committed to operating safely and efficiently while it maintains productive relationships with our business partners and midstream counterparties.
- The Company also received commitments from certain of its senior lenders for \$175 million in new financing, which, along with cash on hand and cash flow generated by ongoing operations, will be used to support the business and fund continued capital investment throughout the restructuring process.

### **4. When will Sanchez Energy complete the restructuring process?**

- It is Sanchez Energy’s intent to move through this process as quickly and efficiently as possible, although there is not a definitive timeline to share today.
- We will keep you informed of important milestones as the process moves forward.

### **5. How will Sanchez Energy royalty owners be impacted?**

- Upon entering the Chapter 11 process, Sanchez Energy petitioned the court to consider several “first day” motions. These include the ability to continue to make payments to royalty owners when due in the ordinary course of business. We fully expect these motions to be granted and your relationship with Sanchez Energy to continue without disruption.



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**6. Can I cash my royalty checks issued prior the bankruptcy filing?**

- As part of the first day motions, the Company asked for authorization to pay and our banks to honor any outstanding royalty checks issued before the Chapter 11 filing. If your checks are not honored, please contact your normal Sanchez Energy representative or the Company's information hotline at 844.232.0067 or by sending an email to [sanchezinfo@primeclerk.com](mailto:sanchezinfo@primeclerk.com).

**7. Will my Sanchez Energy contact remain the same?**

- Your day-to-day contacts will remain the same.

**8. How can I obtain more information?**

- We will continue to keep you informed as there are updates to share. In the meantime, please don't hesitate to reach out to your normal Sanchez Energy contact.
- Court filings and other information are available on the internet at <https://cases.primeclerk.com/sanchezenergy>, by calling the Company's information hotline at 844.232.0067 or sending an email to [sanchezinfo@primeclerk.com](mailto:sanchezinfo@primeclerk.com).