

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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In re:

SEADRILL LIMITED, *et al.*,<sup>1</sup>

Debtors.

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)  
) Chapter 11  
)  
) Case No. 21-30427 (DRJ)  
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) (Jointly Administered)  
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**DEBTORS' SECOND REQUEST TO EXTEND THE EXCLUSIVE PERIODS  
TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

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**This motion seeks an order that may adversely affect you. If you oppose the motion, you should immediately contact the moving party to resolve the dispute. If you and the moving party cannot agree, you must file a response and send a copy to the moving party. You must file and serve your response within 21 days of the date this was served on you. Your response must state why the motion should not be granted. If you do not file a timely response, the relief may be granted without further notice to you. If you oppose the motion and have not reached an agreement, you must attend the hearing. Unless the parties agree otherwise, the court may consider evidence at the hearing and may decide the motion at the hearing.**

**Represented parties should act through their attorney.**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) state as follows in support of this motion (this “Motion”):<sup>2</sup>

**Relief Requested**

1. The Debtors seek entry of an order, substantially in the form attached hereto (the “Order”): (a) further extending the period during which the Debtors have the exclusive right to file a chapter 11 plan (the “Filing Exclusivity Period”) through and including February 5, 2022,

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<sup>1</sup> A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <http://cases.primeclerk.com/SeadrillLimited>. The location of Debtor Seadrill Americas, Inc.’s principal place of business and the Debtors’ service address in these chapter 11 cases is 11025 Equity Drive, Suite 150, Houston, Texas 77041.

<sup>2</sup> Capitalized terms used but not defined herein shall have the meanings given to such terms in the *First Amended Joint Chapter 11 Plan of Reorganization of Seadrill Limited and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 964] (as may be amended, supplemented, or modified from time to time, the “Plan”), or the disclosure statement with respect to the Plan [Docket No. 965] (as may be amended, supplemented, or modified from time to time, the “Disclosure Statement”), as applicable.

and the deadline under which the Debtors have the exclusive right to solicit a plan of reorganization filed during the Filing Exclusivity Period (the “Solicitation Exclusivity Period” and, together with the Filing Exclusivity Period, collectively, the “Exclusivity Periods”) through and including April 6, 2022, without prejudice to the Debtors’ right to seek further extensions to the Exclusivity Periods and (b) granting related relief.

2. Absent the relief requested herein, the Filing Exclusivity Period and Solicitation Exclusivity Period will otherwise expire on October 9, 2021 and December 8, 2021, respectively.<sup>3</sup> *See Order Extending the Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 829] (the “First Exclusivity Order”).

### **Jurisdiction and Venue**

3. The United States Bankruptcy Court for the Southern District of Texas (the “Court”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). The Debtors confirm their consent to the entry of a final order by the Court.

4. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

5. The basis for the relief requested herein is section 1121 of the Bankruptcy Code.

### **Background**

6. On February 7, 2021, Asia Offshore Drilling Limited and four affiliated Debtors (the “AOD Debtors”) each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. On February 10, 2021 (the “Petition Date”), Seadrill Limited and the remaining above-captioned Debtors (the “Seadrill Limited Debtors”) each filed a voluntary petition for relief

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<sup>3</sup> Pursuant to Section K, Paragraph 30, of the *Procedures for Complex Cases in the Southern District of Texas*, the filing of this Motion automatically extends the Exclusivity Periods until the Court (as defined herein) rules on the Motion.

under chapter 11 of the Bankruptcy Code.<sup>4</sup> A detailed description of the facts and circumstances of these chapter 11 cases is set forth in the *Declaration of Grant Creed, Chief Restructuring Officer of Seadrill Limited, in Support of Chapter 11 Petitions and First Day Motions* [Docket No. 41] (the “First Day Declaration”), filed on February 11, 2021, and incorporated by reference herein. Together, 120 entities are part of these chapter 11 cases.

7. The Debtors are operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On February 11, 2021, the Court entered an order [Docket No. 27] authorizing procedural consolidation and joint administration of these chapter 11 cases pursuant to Bankruptcy Rule 1015(b) and rule 1015-1 of the Local Bankruptcy Rules for the Southern District of Texas (the “Local Rules”). No request for the appointment of a trustee or examiner has been made in these chapter 11 cases.

### **Preliminary Statement**

8. The Debtors request that the Court grant a 120-day extension of the Exclusivity Periods. The Court approved a disclosure statement for the Debtors’ proposed plan of reorganization on September 2, and the Debtors commenced solicitation of votes for the Plan on September 9. A hearing to consider confirmation of the Plan is scheduled for October 26. The Plan has the support of a majority of the Debtors’ lenders, and the Debtors are working to obtain the acceptance of all voting classes, to confirm the Plan, and to emerge from these chapter 11 cases

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<sup>4</sup> The chapter 11 cases of the AOD Debtors and the Seadrill Limited Debtors are jointly administered under the above-captioned chapter 11 cases. On December 1, 2020, Seadrill Partners LLC and 28 affiliated debtors and debtors in possession commenced chapter 11 cases in this Court, which are jointly administered under the case caption *In re Seadrill Partners LLC*, No. 20-35740 (Bankr. S.D. Tex.) (collectively, the “Seadrill Partners Cases”). The Debtors do not intend to seek joint administration of these chapter 11 cases with the Seadrill Partners Cases.

before year-end. Accordingly, an extension of exclusivity is more than justified by the facts and circumstances of these chapter 11 cases.

9. Where at times a pathway to a consensual reorganization did not appear to exist, the Debtors have built substantial consensus in these chapter 11 cases, which has allowed them to focus their efforts on maximizing the value of their estates. This consensus has been achieved against the backdrop of large, complex chapter 11 cases involving billions of dollars of funded debt obligations, global operations, thousands of employees, and a diverse set of stakeholder constituencies espousing disparate views over the proper structure and economic allocations that could produce a value-maximizing transaction for the Debtors' estates and pave the way for the Debtors to emerge from chapter 11.

10. Specifically, when the Debtors filed for chapter 11, they had far too much debt, with over \$5.6 billion in principal outstanding, and their debt was spread across 12 separate secured credit facilities, each of which had its own unique collateral and its own lenders.<sup>5</sup> There are over 40 secured lenders in these facilities, which include a broad range of financial institutions—from European, Asian, and American commercial banks to export-import credit agencies and insurance companies to trading desks and hedge funds. While there was some overlap in terms of lenders across the silos, with some lenders concentrated in silos and others with broad cross holdings, the Debtors' lenders also had different opinions on the best path forward and the value of the different silos, meaning the Debtors were likely to face a lengthy negotiation (and potentially a lengthy dispute) regarding value allocation.

11. After developing the framework for a restructuring transaction acceptable to both the CoCom and the Ad Hoc Group, over the past several months, the Debtors continued with

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<sup>5</sup> See First Day Declaration, ¶ 81.

extensive and spirited negotiations with these lender groups over numerous terms of the restructuring, including the terms of the new-money, the takeback debt, the allocations of consideration among silos, the extent of any market check, governance, the listing of the reorganized equity, and numerous other terms. A working group of four key lenders, the Debtors' lead executives, and financial advisors to the Debtors, the CoCom, and the Ad Hoc Group met nearly every business day for several weeks. For well over a year, a restructuring steering committee of Seadrill Limited's board has met between one and three times a week. The NADL board met nearly every Wednesday, supplemented by special meetings. The Court-approved independent directors at NADL (the "NADL Independent Directors") retained independent counsel and an independent financial advisor. Although at times the deal appeared close to falling apart, the parties ultimately signed a plan support agreement (the "PSA") and filed the Plan and Disclosure Statement on July 24.

12. As part of the PSA, after extensive negotiations and with input from the NADL Independent Directors, the Debtors, the CoCom, and the Ad Hoc Group agreed to a market check, through which the Debtors would solicit non-binding indications of interest from five select parties in advance of the Disclosure Statement hearing. Houlihan Lokey, the Debtors financial advisor, rigorously implemented that process in consultation with AMA, the financial advisors to the NADL Independent Directors, as well as Moelis and Lazard Frères & Co. LLC, the financial advisors to the CoCom and Ad Hoc Group, respectively. The Debtors, through Houlihan Lokey and AMA, provided written and oral feedback to parties regarding their proposals. In particular, after filing the Plan and Disclosure Statement, the Debtors reconnected with the parties who

previously submitted proposals<sup>6</sup> (and reached out to several other key industry players) and pointed them to the wealth of publicly-available information about the Debtors, and offered calls to facilitate their review and analysis of this information. In response to specific diligence inquiries from a bidder and certain creditors, on August 18, the Debtors filed an amended disclosure statement exhibit providing further detail regarding general and administrative expenses, capital expenditures, and utilization assumptions. The Debtors filed this updated exhibit publicly to ensure all potentially interested parties would have access to the same due diligence materials. The Debtors, the CoCom, and the Ad Hoc Group, with the assistance of four financial advisors, have thoroughly analyzed the two proposals received and determined that, to date, neither is superior to the Plan because, among other things, they provide insufficient value.<sup>7</sup>

13. In the lead up to an anticipated evidentiary hearing on the Disclosure Statement and the Backstop Commitment Letter, the Debtors made extensive preparations, including drafting a brief in support thereof, conducting extensive document review and production in response to discovery requests related thereto, and conducting multiple internal conferences regarding hearing strategy. On September 2, 2021, the Court entered the order approving the Disclosure Statement [Docket No. 988] (the “Disclosure Statement Order”). Since entry of the Disclosure Statement Order, the Debtors have implemented an efficient and comprehensive noticing plan and process to solicit votes on their plan of reorganization and have made substantial progress towards preparing for confirmation. As a result of these efforts, the Debtors anticipate seeking confirmation on

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<sup>6</sup> During the lead up to the filing of the Plan, the Debtors received two unsolicited non-binding indications of interest to acquire substantially all of their assets.

<sup>7</sup> The Debtors and the NADL Independent Directors continue to engage with potential bidders, but to date, a superior proposal has not emerged. As this Court is aware, the Debtors continue to have fiduciary flexibility to pursue an alternative transaction until confirmation.

October 26 and emergence before year-end. Absent entry of the Order, however, the Filing Exclusivity Period would expire in advance of confirmation.

14. The Debtors believe that maintaining the exclusive right to file and solicit votes on a plan of reorganization is critical to realizing a value-maximizing restructuring. Extending the Exclusivity Periods will afford the Debtors and their stakeholders time to prosecute confirmation of the Plan, finalize the transactions contemplated thereby, and proceed toward emergence from chapter 11 in an efficient, organized fashion. Maintaining the status quo at this critical juncture is of utmost importance as the Debtors and their stakeholders work toward confirming the Plan, which maximizes the value of the Debtors' estates. Indeed, the Plan has the support of over 58% of the Debtors' secured creditors who hold approximately \$3.26 billion of debt. A 120-day extension is therefore appropriate to protect the value and consensus that the Debtors and their stakeholders have built, and will not prejudice any parties in interest.

15. Since entry of the First Exclusivity Order, the Debtors have spent significant time and resources:

- negotiating the Plan and the PSA with the CoCom and the Ad Hoc Group;
- discussing the Plan and alternative proposals with lenders outside the CoCom and the Ad Hoc Group;
- conducting the market check and reviewing and analyzing alternative acquisition proposals;
- preparing for a contested hearing regarding Court approval of the Disclosure Statement, Backstop Commitment Letter, and SVP's standing motion, including extensive document production, depositions, and briefing in connection therewith;
- obtaining Court approval of the Disclosure Statement and launching solicitation;
- negotiating and obtaining a further extension of the right to use cash collateral;
- negotiating and drafting a settlement with Northern Ocean Limited;

- negotiating certain definitive Plan documents with the CoCom and Ad Hoc Group and filing an initial Plan Supplement [Docket No. 1048];
- negotiating and obtaining court approval of the Debtors' assumption of certain drilling and rig services contracts and amendments thereto, including with respect to the West Hercules bareboat charter lease [Docket No. 951];
- filing a motion seeking Court approval of the Debtors' rejection of certain burdensome information technology service and operations agreements;
- obtaining an order to further extend the periods during which the Debtors may remove actions to the Court;
- answering various discovery and diligence requests in connection with the chapter 11 cases; and
- engaging claimant counsel regarding requests to lift the automatic stay and processing various adversary proceedings.

16. These achievements demonstrate the Debtors' continued efforts to maximize the value of their estates and progress these proceedings in a comprehensive and efficient manner. Through these efforts, the Debtors have commenced solicitation of the Plan and are on the verge of a significant accomplishment—confirmation. Notwithstanding the substantial progress made to date, certain tasks remain before the Debtors may emerge from chapter 11. The Debtors and their key stakeholders will shift their focus to negotiate critical documents required for plan confirmation and emergence, including key settlement, financing, and corporate governance documents. Finally, the Debtors will work constructively with opponents to the Plan to resolve any remaining open issues in advance of confirmation. The Debtors are confident that the Plan will unlock substantial value for the benefit of all their stakeholders.

17. Accordingly, given the facts and circumstances of these chapter 11 cases and the standards set forth by applicable law, the Debtors believe they meet the standard for the extension of the Exclusivity Periods requested herein.



### **Basis for Relief**

18. A debtor has the exclusive right to propose a chapter 11 plan for the first 120 days of a chapter 11 case pursuant to section 1121(b) of the Bankruptcy Code. Section 1121(c)(3) of the Bankruptcy Code extends the period of exclusivity for an additional sixty days, to an initial maximum of 180 days, where the debtor has filed a chapter 11 plan and is soliciting votes on such plan. “[T]he point of exclusivity is to promote an environment in which the debtor’s business may be rehabilitated and a consensual plan may be negotiated.” *In re Burns and Roe Enters., Inc.*, No. 00-41610 RG, 2005 WL 6289213, at \*4 (D.N.J. Nov. 2, 2005) (internal quotation marks omitted) (quoting H.R. Rep. No. 103-835, at 36 (1994), *as reprinted in* 1994 U.S.C.C.A.N. 3340, 3344). In these chapter 11 cases, the Filing Exclusivity Period and Solicitation Exclusivity Period will expire on June 10, 2021 and August 9, 2021, respectively, absent further order of the Court.

19. Section 1121(d)(1) of the Bankruptcy Code permits a court to extend a debtor’s exclusive periods to file and solicit a plan “for cause.” *See* 11 U.S.C. § 1121(d). Specifically, section 1121(d) provides that “on request of a party in interest made within the respective periods . . . of this section and after notice and a hearing, the court may for cause reduce or increase the 120-day period or the 180-day period referred to in this section.” *Id.* Although the Bankruptcy Code does not define “cause,” bankruptcy courts have discretion to extend exclusivity to promote the orderly, consensual, and successful reorganization of a debtor’s affairs. *See In re Timbers of Inwood Forest Assocs., Ltd.*, 808 F.2d 363, 372 (5th Cir. 1987) (noting that the meaning of “cause” under section 1121 should be viewed in the context of the Bankruptcy Code’s goal of fostering reorganization); *In re Mirant Corp.*, No. 4-04-CV-476-A, 4-04-CV-530-A, 2004 WL 2250986, at \*2 (N.D. Tex. Sept. 30, 2004) (“In virtually every case where an extension has been granted, the debtor showed substantial progress had been made in negotiations toward reorganization.”).

20. Courts within the Fifth Circuit and other jurisdictions examine a number of factors to determine whether there is “cause” for extension of the Exclusivity Periods. These factors include:

- (a) the size and complexity of the case;
- (b) the necessity for sufficient time to permit the debtor to negotiate a chapter 11 plan and prepare adequate information;
- (c) the existence of good faith progress toward reorganization;
- (d) the fact that the debtor is paying its bills as they become due;
- (e) whether the debtor has demonstrated reasonable prospects for filing a viable plan;
- (f) whether the debtor has made progress in negotiations with its creditors;
- (g) the amount of time which has elapsed in the case;
- (h) whether the debtor is seeking to extend exclusivity to pressure creditors to submit to the debtor’s reorganization demands; and
- (i) whether an unresolved contingency exists.

*In re New Millennium Mgmt., LLC*, No. 13-35719-H3-11, 2014 WL 792115, at \*6 (Bankr. S.D. Tex. Feb. 25, 2014) (citing *In re GMG Cap. Partners III, L.P.*, 503 B.R. 596, 600-01 (Bankr. S.D.N.Y. 2014)); *see also In re Adelphia Commc’ns Corp.*, 336 B.R. 610, 674 (Bankr. S.D.N.Y. 2006) (applying the same factors and determining that continuation of exclusivity was warranted).

21. Not all factors are relevant to every case, and the existence of even one of the above-listed factors may be sufficient to extend a debtor’s Exclusivity Periods. *See, e.g., In re Express One Int’l, Inc.*, 194 B.R. at 100-01 (determining that “cause” to extend exclusivity existed without finding that every *Adelphia* factor was present); *see also In the Matter of Excel Maritime Carriers Ltd.*, No. 13-23060-RDD, 2013 WL 5155040, at \*2 (Bankr. S.D.N.Y. Sept. 13, 2013) (explaining that the relevance of the factors is context-dependent and that “the ultimate

consideration for the Court was what will best move the case forward in the best interest of all parties”).

22. As set forth herein, the Debtors have used their time in chapter 11 productively and efficiently and continue to work in good faith with their stakeholders to resolve outstanding issues prior to confirmation, and to emerge from chapter 11 in an expedient manner. The Debtors submit that sufficient “cause” exists pursuant to section 1121(d) of the Bankruptcy Code to extend the Exclusivity Periods as provided herein. As set forth below, each of the relevant factors weighs in favor of an extension of the Exclusivity Periods.

#### **I. The Debtors’ Chapter 11 Cases Are Large and Complex.**

23. The worldwide scope of the Debtors’ operations and the complexity of their capital structure means that the Debtors must navigate a number of complex issues during the chapter 11 process. There is no question that the Debtors’ capital structure—which as of the Petition Date consisted of approximately \$6.1 billion in funded debt obligations, including approximately \$5.6 billion of funded debt across 12 distinct secured credit facility silos, each with its own individual rigs as collateral (and an interest in certain common collateral made up primarily of cash)—is large and complex. The Debtors have obligations to a tremendous number of stakeholders across the globe, including approximately 3,100 employees as of the Petition Date, and thousands of financial stakeholders, customers, government agencies, and contract counterparties.

24. Both Congress and courts have acknowledged that the size and complexity of a debtor’s case alone may provide cause for extending a debtor’s Exclusivity Periods. *See In re Express One Int’l, Inc.*, 194 B.R. at 100 (approving the debtor’s third exclusivity extension and noting that “the traditional ground for cause is the large size of the debtor and the concomitant difficulty in formulating a plan of reorganization”). Thus, the size and complexity of

these chapter 11 cases alone provides sufficient cause for the Court to extend the Exclusivity Periods.

## II. The Debtors Have Made Substantial Progress in These Chapter 11 Cases.

25. Since the Petition Date, the Debtors have made substantial progress in negotiating with their stakeholders and administering these chapter 11 cases, which warrants a further extension of the Exclusivity Periods. This progress includes:

- (a) ***Obtaining Court Approval of the Consensual Use of Cash Collateral.*** Within the first month of these chapter 11 cases, the Debtors negotiated and obtained consensual use of cash collateral. On March 9, 2021, the Court entered the *Final Order (I) Authorizing Use of the Debtors' Cash Collateral, (II) Granting Adequate Protection, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* [Docket No. 253] (as amended or extended, including by the Extended Cash Collateral Order, the First Stipulation and Agreed Cash Collateral Order, the Second Stipulation and Agreed Cash Collateral Order, and the Second Extended Cash Collateral Order (each as defined below), the "Cash Collateral Order"). Among other things, the Cash Collateral Order allocates the prepetition integrated cash pool's common collateral pro rata across each debt silo based on the extent of each silo's outstanding balance as of the Petition Date. This allocation methodology allows each silo's portion of the cash pool to increase or decrease based on its own use, prevents profitable silos from funding less profitable silos, and allows the Debtors to operate their business postpetition in the ordinary course. The Cash Collateral Order initially allowed for use of cash collateral through May 9, 2021, with the ability to extend such use with the consent of the Debtors, the CoCom, and the Ad Hoc Group. Pursuant to the *Order (I) Authorizing the Continued Use of Cash Collateral and (II) Granting Related Relief* [Docket No. 671] (the "Extended Cash Collateral Order"), the Debtors obtained authority to continue the consensual use of cash collateral through and including August 31, 2021. On June 23, 2021, the Court entered the *Stipulation and Agreed Order Among the Debtors, the CoCom, and the Ad Hoc Group Extending a Deadline in the Cash Collateral Order* [Docket No. 803] extending the deadline in the Cash Collateral Order for entry of an order approving a disclosure statement to July 30, 2021 (the "First Stipulation and Agreed Cash Collateral Order"). On August 4, 2021, the Court entered the *Stipulation and Agreed Order Among the Debtors, the CoCom, and the Ad Hoc Group Extending a Deadline in the Cash Collateral Order* [Docket No. 882] extending the deadline in the Cash Collateral Order for entry of an order approving a disclosure statement to August 31, 2021 (the "Second Stipulation and Agreed Cash Collateral Order"). On August 27, 2021, the Court entered the

*Order (I) Authorizing Use of the Debtors' Cash Collateral (II) Granting Adequate Protection, (III) Modifying the Automatic Stay, and (IV) Granting Related Relief* [Docket No. 950] (the "Second Extended Cash Collateral Order"), authorizing the Debtors to continue the consensual use of cash collateral until the earlier of (a) January 4, 2022, and (b) the date on which a Termination Event (as defined in the Second Extended Cash Collateral Order) occurs.

- (b) ***Entering into the PSA.*** The Debtors commenced these chapter 11 cases with the Ad Hoc Group and the CoCom at odds. Since the Petition Date, however, the Debtors have been working constructively with their constituents to reach a consensus on the terms of a comprehensive restructuring. On April 1, 2021, the Debtors filed the *Notice of Filing of Debtors' Comprehensive Restructuring Proposal* [Docket No. 294], delivering the Debtors' restructuring proposal to the CoCom and Ad Hoc Group in advance of the Debtors' deadline under the Cash Collateral Order. After extensive negotiations, on July 23, 2021, (i) the Debtors and the Consenting Lenders executed the Plan Support Agreement, pursuant to which the Consenting Lenders holding 58.7 percent<sup>8</sup> of the aggregate Credit Agreement Claims have agreed to support the Plan, and (ii) the Backstop Parties and the Debtors entered into the Backstop Commitment Letter, pursuant to which the Backstop Parties will backstop a \$300 million new money credit facility.
- (c) ***Filing the Chapter 11 Plan, Disclosure Statement, and Backstop Motion.*** The Debtors solicited input from parties in interest with respect to both the Plan and Disclosure Statement. On July 24, 2021, the Debtors filed the Plan, the Disclosure Statement, and a motion seeking approval the Backstop Motion. The Plan contemplates a restructuring transaction that will raise \$350 million in new financing and reduce the Debtors' liabilities by over \$4.9 billion. Pursuant to the Plan and in accordance with the Backstop Commitment Letter, the lenders participating in (and backstopping) the \$300 million new-money facility will collectively receive 16.75% of new equity in the newly constituted Seadrill, subject to dilution. Under the Plan, the senior secured lenders will also exchange \$5.6 billion of existing debt for \$750 million of second-lien, takeback debt and 83% of the new equity, subject to dilution. Hemen Holding Ltd., currently Seadrill's largest shareholder, has also committed to fund a \$50 million new-money unsecured bond to be issued under the Plan, which is convertible into 5% of the new equity under specified circumstances. Specified trade claims will be paid in full in cash and other general unsecured claims will receive their pro rata share of \$250,000 in cash. Existing shareholders will receive

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<sup>8</sup> When the Plan Support Agreement was signed on July 23, 2021, holders of approximately 57.8 percent of the aggregate Credit Agreement Claims agreed to support the Plan. Since then, the aggregate amount of Credit Agreement Claims that have agreed to support the Plan has increased to 58.7 percent due to trades.

0.25% of the new equity, subject to dilution, if all voting classes of creditors accept the Plan, and otherwise will not receive any recovery. The Plan is an extraordinary result that brings together once disparate creditor groups in a highly-complex capital structure and provides a pathway to a reorganization where one previously did not exist.

- (d) ***Obtaining Approval of the Disclosure Statement.*** On September 2, 2021, the Court entered the *Order (I) Approving the Adequacy of the Disclosure Statement, (II) Approving the Solicitation and Notice Procedures With Respect to Confirmation of the Debtors' Proposed Joint Plan of Reorganization, (III) Approving the Forms of Ballots and Notices in Connection Therewith, (IV) Approving the Form of the AOD Cash-Out Election Form (V) Approving the Rights Offering Procedures and Related Materials, (VI) Scheduling Certain Dates With Respect Thereto, And (VII) Granting Related Relief* [Docket No. 988]. The Debtors commenced solicitation of the Plan thereafter and completed solicitation on September 9.
- (e) ***Obtaining Court Approval of the Assumption and Amendment of the West Hercules Charter with SFL.*** After several months of negotiations, in connection with the Extended Cash Collateral Order, the Debtors and SFL Hercules Ltd. confirmed entry into the amended Prepetition Hercules Charters to account for amended terms and to provide that Seadrill UK Operations Ltd. will be the operating entity for the duration of the West Hercules' operations in the United Kingdom. In addition, the amendment provided for the termination of an "interim funding agreement" between the Debtors and SFL, under which the Debtors were permitted to withdraw fixed monthly amounts from the cash collateral accounts to cover operating costs. The effectiveness of the amendment, fully and finally satisfied all claims of SFL against the Debtors arising from, under or related to the Prepetition Hercules Charter or the rig with certain limited exceptions. To enumerate the amended Prepetition Hercules Charters, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Authorizing Assumption and Amendment of the West Hercules Charter Arrangements and (II) Granting Related Relief* [Docket No. 884] on August 5, 2021. On August 27, 2021, the Court entered the *Order (I) Authorizing Assumption and Amendment of the West Hercules Charter Arrangements and (II) Granting Related Relief* [Docket No. 951].
- (f) ***Obtaining Court Approval of Assumption of Beneficial Contracts.*** On July 16, 2019, certain Debtors entered into an offshore drilling rig services contract with Total E&P Angola S.A. - Sucursal em Angola. Since entering the contract, the parties have entered into several amendments thereto related to the suspension of the Debtors' services and associated compensation thereunder due to the COVID-19 pandemic. Following the Petition Date, the Debtors determined that resumption of services under the contract would allow the Debtors to realize critical revenue. The Debtors



therefore entered into the sixth amendment to the contract on July 5, 2021, pursuant to which the Debtor entities will resume services thereunder and sought Court approval of the assumption of the contract and entry into the sixth amendment. On August 16, 2021 the Court entered the *Order (I) Authorizing Assumption of Certain Executory Contracts and (II) Granting Related Relief* [Docket No. 905].

- (g) ***Selling De Minimis Assets.*** Pursuant to the *Order Approving Procedures for De Minimis Asset Transactions* [Docket No. 305], which the Court entered on April 5, 2021, the Debtors have sold various de minimis assets, obtaining liquidity for the estate. The Debtors developed a program for selling certain rigs that are not economically viable, which provides for, among other considerations, the timing, expected sales proceeds, and costs associated with recycling certain rigs throughout the chapter 11 process. So far, the Debtors have sold two rigs and five rigs are in the process of being recycled, with an aggregate purchase price of approximately \$50.1 million pursuant to the Debtors' *Notices of Transactions* [Docket Nos. 737, 738, 739, 740, 741, 768, and 784]. The Debtors and their advisors continue to review the Debtors' fleet in furtherance of determining the scope of the Debtors' proposed rig recycling program.
- (h) ***Negotiating a Settlement with Northern Ocean Limited and Filing a Motion Seeking Court Approval Thereof.*** On February 9, 2021 Seadrill reached an initial settlement with Northern Ocean Limited ("NOL") regarding outstanding receivables and claims owed to Seadrill from certain management and operational services provided to NOL for the West Mira and West Bollsta. However, after entry into the initial settlement, several events, including equipment failure on the West Mira and the related termination of operations, affected the economics underlying the settlement. On June 22, 2021, the Debtors entered into a revised global settlement with NOL in an effort to modify the initial settlement for the changed circumstances. On August 9, 2021, the Debtors filed the *Debtors' Motion for Entry of an Order Approving the Settlement Between the Debtors and Northern Ocean Limited, Including the Assumption of Certain Contracts Pursuant to Section 365(a) of the Bankruptcy Code* [Docket No. 890].
- (a) ***Negotiating Certain Definitive Plan Documents and Filing the Plan Supplement.*** On September 30, 2021, the Debtors filed an initial Plan Supplement [Docket No. 1048], which contained (a) the Description of Transaction Steps, (b) the Assumed Executory Contract and Unexpired Lease List, (c) the Rejected Executory Contract and Unexpired Lease List, (d) the Schedule of Retained Causes of Action, (e) a schedule of the Net Scrap Proceeds, and (f) forms of (i) the New Organizational Documents, (ii) a registration rights agreement between the Debtors and the Required Backstop Parties, (iii) the New Credit Facility Finance Documents, (iv) the indenture governing the Convertible Bonds, and (v) an intercreditor

agreement by and among the Reorganized Debtors and Hemen, among other parties.

26. The Debtors' substantial progress in working with their creditors and administering their cases to this point support the extension of the Exclusivity Periods. *See In re Mirant Corp.*, 2004 WL 2250986, at \*2 (noting that an extension of exclusivity is typically granted where "the debtor has shown substantial progress toward reorganization").

### **III. An Extension of the Exclusivity Periods Is in the Best Interest of Stakeholders.**

27. The Debtors request an extension of the Exclusivity Periods so parties with competing interests do not hinder their efforts to negotiate a consensual, value-maximizing restructuring that will enable the Debtors' stakeholders to realize the benefits of months of hard-fought negotiations. An extension of the Exclusivity Periods will benefit all creditors by preventing the drain on estate assets that inevitably occurs when multiple parties, with potentially diverging interests, put forth competing chapter 11 plans. All stakeholders benefit from the continued stability that a centralized plan process provides, which can only occur while the Debtors remain the sole plan proponents.

### **IV. The Debtors Are Not Pressuring Creditors to Submit to Their Restructuring Demands.**

28. The Debtors' restructuring process is intended to confirm a plan that maximizes the value of the Debtors' estates for all stakeholders. Since the commencement of these chapter 11 cases, the Debtors have worked diligently to evaluate restructuring alternatives and have worked, and will continue to work, constructively with stakeholders to build additional consensus for the Debtors' proposed chapter 11 transactions. The Debtors' exclusivity extension request is not intended to pressure creditors to submit to the Debtors' restructuring demands, but to provide sufficient time for the Debtors to prosecute and eventually confirm the Plan and



implement the transactions contemplated thereby without the disruption and distraction created by competing plan proposals.

**V. The Debtors Are Paying Their Debts as They Come Due.**

29. The Debtors are generally paying their undisputed postpetition debts in the ordinary course of business or as otherwise provided by Court order.

30. Accordingly, the facts and circumstances of these cases are more than sufficient to support a finding of “cause” to extend the Exclusivity Periods for a 120-day period, so that the Debtors and their stakeholders may realize the benefits of the substantial progress made to date and avoid the risks of any competing plan proposals.

**Notice**

31. The Debtors will provide notice of this Motion to: (a) the Office of the United States Trustee for the Southern District of Texas; (b) entities listed as holding the 30 largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to the ad hoc group of the Debtors’ senior secured credit facilities; (d) counsel to the CoCom; (e) counsel to the ad hoc group of holders of the Debtors’ senior secured notes; (f) the Office of the United States Attorney for the Southern District of Texas; (g) the state attorneys general for states in which the Debtors conduct business; (h) the Internal Revenue Service; (i) the Securities and Exchange Commission; (j) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (k) any party that has requested notice pursuant to Bankruptcy Rule 2002; and (l) any other party entitled to notice pursuant to Local Rule 9013-1(d). In light of the nature of the relief requested, no further notice is required.

**Conclusion**

WHEREFORE, in light of the foregoing, “cause” exists to extend the Exclusivity Periods, and the Debtors respectfully request that the Court enter an order extending the Debtors’ Filing Exclusivity Period through and including February 5, 2022, extending the Debtors’ Solicitation Exclusivity Period through and including April 6, 2022, and granting such other and further relief as is appropriate under the circumstances.

Houston, Texas  
October 5, 2021

*/s/ Matthew D. Cavanaugh*

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**Certificate of Service**

I certify that on October 5, 2021, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Matthew D. Cavanaugh

Matthew D. Cavanaugh

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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In re:	)	
	)	Chapter 11
	)	
SEADRILL LIMITED, <i>et al.</i> , <sup>1</sup>	)	Case No. 21-30427 (DRJ)
	)	
Debtors.	)	(Jointly Administered)
	)	
	)	<b>Re: Docket No. ____</b>

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**ORDER EXTENDING THE EXCLUSIVE PERIODS  
TO FILE A CHAPTER 11 PLAN AND SOLICIT ACCEPTANCES THEREOF**

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Upon the motion (the “Motion”)<sup>2</sup> of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”) (a) extending the Debtors’ Filing Exclusivity Period through and including February 5, 2022 and (b) extending the Debtors’ Solicitation Exclusivity Period through and including April 6, 2022, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’

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<sup>1</sup> A complete list of each of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <http://cases.primeclerk.com/SeadrillLimited>. The location of Debtor Seadrill Americas, Inc.’s principal place of business and the Debtors’ service address in these chapter 11 cases is 11025 Equity Drive, Suite 150, Houston, Texas 77041.

<sup>2</sup> Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

notice of the Motion and opportunity for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the “Hearing”); and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is HEREBY ORDERED THAT:

1. The Debtors’ exclusive period to file a chapter 11 plan for each Debtor (including the AOD Debtors) is extended through and including February 5, 2022.

2. The Debtors’ exclusive period to solicit acceptances of a chapter 11 plan for each Debtor (including the AOD Debtors) is extended through and including April 6, 2022.

3. Entry of this Order is without prejudice to the Debtors’ right to seek from this Court such additional and further extensions of the Exclusivity Periods within which to file and solicit acceptance of a chapter 11 plan as may be necessary or appropriate.

4. Notice of the Motion as provided therein is good and sufficient notice of the Motion and the requirements of the Local Rules are satisfied by such notice.

5. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

6. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

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

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

Houston, Texas

Dated: \_\_\_\_\_, 2021

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DAVID R. JONES  
UNITED STATES BANKRUPTCY JUDGE