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ATTORNEYS FOR THE DEBTORS

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	Chapter 11
	§	
ERG Intermediate Holdings, LLC, <i>et al.</i> , ¹	§	Jointly Administered
	§	
Debtors.	§	Case No.: 15-31858-hdh-11

**NOTICE OF FILING OF PLAN SUPPLEMENT
RELATING TO THE FIRST AMENDED JOINT CHAPTER 11 PLAN
OF REORGANIZATION DATED SEPTEMBER 18, 2015 IN RESPECT OF
ERG INTERMEDIATE HOLDINGS, LLC AND ITS AFFILIATED DEBTORS**

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are ERG Intermediate Holdings, LLC (2521); ERG Resources, L.L.C. (0408); West Cat Canyon, L.L.C. (7377); ERG Interests, LLC (2081); and ERG Operating Company, LLC (8385). ERG Intermediate Holdings, LLC is the direct or indirect parent of each of its affiliated Debtors. The mailing address for each of the Debtors, with the exception of ERG Operating Company, LLC, is 333 Clay Street Suite 4400, Houston, TX 77002. The mailing address for ERG Operating Company, LLC is 4900 California Avenue Suite 300B, Bakersfield, CA 93309. The above addresses are listed solely for the purposes of notices and communications.

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On September 18, 2015, the above-captioned debtors (collectively, the "Debtors") and the Debtors' prepetition lenders (the "Prepetition Lenders" and, together with the Debtors, the "Plan Proponents") filed the *First Amended Joint Chapter 11 Plan of Reorganization Dated September 18, 2015 in Respect of ERG Intermediate Holdings, LLC and Its Affiliated Debtors* [Docket No. 518] (as amended or modified from time to time, the "Plan").²

2. The Plan Proponents hereby file proposed drafts of certain documents relating to the Plan and/or to be executed, delivered, assumed and/or performed in connection with the consummation of the Plan on the Effective Date, which comprise part of the Plan Supplement.

3. The applicable Plan Documents that are hereby included as part of the Plan Supplement are as follows:

Exhibit A Approved Settlement and Transaction Support Agreement
Exhibit B..... ERG Plan Trust Declaration

Exhibit D..... Exit Facility Loan Documents
Exhibit E..... Form of Exit Facility ORRI
Exhibit F Amended and Restated Prepetition Loan Documents
Exhibit G..... Reorganized Debtor Operating Agreements

4. The documents contained in the Plan Supplement are integral to, part of, and incorporated by reference into the Plan. However, **these documents have not yet been approved by the Bankruptcy Court**. If the Plan is approved, the documents contained in the

² Capitalized terms used but not otherwise defined herein have the meanings given to them in the Plan.

Plan Supplement will be approved by the Bankruptcy Court pursuant to the order confirming the Plan.

5. The Plan Proponents reserve all rights to amend, modify, or supplement the Plan Supplement, and any of the documents contained therein, in accordance with the terms of the Plan. To the extent material amendments or modifications are made to any of these documents, the Plan Proponents will file a blackline of such document with the Bankruptcy Court.

6. Copies of the Plan, the Plan Supplement and all other pleadings filed in these cases may be obtained free of charge at <http://dm.epiq11.com/ERG>.

Dated: September 18, 2015
Dallas, Texas

Respectfully submitted,

/s/ Tom A. Howley

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ATTORNEYS FOR THE DEBTORS

EXHIBIT A

Approved Settlement and Transaction Support Agreement

SETTLEMENT AND TRANSACTION SUPPORT AGREEMENT

This SETTLEMENT AND TRANSACTION SUPPORT AGREEMENT (the “**Agreement**”) is made and entered into as of August 6, 2015 by and among (a) the Official Committee of Unsecured Creditors (the “**Committee**”) appointed in the chapter 11 cases jointly administered as *In re ERG Intermediate Holdings, LLC*, et al., No. 15-31858-HDH (the “**Chapter 11 Cases**”) currently pending before the United States Bankruptcy Court for the Northern District of Texas (the “**Bankruptcy Court**”); and (b)(i) CLMG Corp., in its capacities as the Pre-Petition Agent,¹ the Pre-Petition Collateral Agent, the DIP Administrative Agent and the DIP Collateral Agent (together in such capacities, “**CLMG**”), and (ii) LNV Corporation, in its capacities as Pre-Petition Lender and DIP Lender (together, in such capacities, the “**Bank**”). Each party named above is a “**Party**” and such parties are collectively the “**Parties**.”

RECITALS

WHEREAS, on April 30, 2015 (the “**Petition Date**”), ERG Intermediate Holdings, LLC (“**Intermediate Holdings**”); ERG Resources, L.L.C. (“**ERG Resources**”); West Cat Canyon, L.L.C. (“**West Cat**”); ERG Interests, LLC (“**ERG Interests**”); and ERG Operating Company, LLC (“**ERG Operating**,” and, together with Intermediate Holdings, ERG Resources, West Cat, and ERG Interests, the “**Debtors**”) each filed a chapter 11 petition in the Bankruptcy Court, thereby commencing the Chapter 11 Cases; and

WHEREAS, on May 12, 2015, the Office of the United States Trustee appointed the Committee in the Chapter 11 Cases; and

WHEREAS, prior to the Petition Date, the Pre-Petition Agent, the Pre-Petition Collateral Agent, the Pre-Petition Lender, and ERG Resources entered into the Pre-Petition Credit Agreement setting forth the terms of the Pre-Petition Facility pursuant to which the Pre-Petition Lender extended loans to ERG Resources in the aggregate principal amount of \$372 million; and

WHEREAS, pursuant to the Pre-Petition Loan Documents, (i) the obligations of ERG Resources in respect of the Pre-Petition Credit Agreement are guaranteed by Intermediate Holdings, West Cat, ERG Operating, and ERG Interests (together, the “**Pre-Petition Subsidiary Guarantors**”); and (ii) the obligations of ERG Resources and the Pre-Petition Subsidiary Guarantors in respect of the Pre-Petition Credit Agreement are secured

¹ Where the context requires, each capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the *Final Order Pursuant to Sections 361, 362, 363 and 364 of the Bankruptcy Code and Rule 4001 of the Federal Rules of Bankruptcy Procedure Authorizing the Debtors to (i) Use Cash Collateral of the Pre-Petition Secured Parties, (ii) Obtain Postpetition Financing and (iii) Provide Adequate Protection to the Pre-Petition Secured Parties* [Chapter 11 Cases Docket No. 282] (the “**Final DIP Order**”).

by the Pre-Petition Liens in the Pre-Petition Collateral, which collateral constitutes substantially all of the Debtors' assets; and

WHEREAS, following the Petition Date, the DIP Administrative Agent, the DIP Collateral Agent, the DIP Lender, and ERG Resources entered into the DIP Credit Agreement setting forth the terms of the DIP Facility pursuant to which the DIP Lender agreed to extend credit to ERG Resources in the principal amount of not more than \$17.5 million; and

WHEREAS, pursuant to the DIP Loan Documents, (i) the obligations of ERG Resources in respect of the DIP Credit Agreement are guaranteed by Intermediate Holdings, West Cat, ERG Operating, and ERG Interests (together, the "**DIP Guarantors**"); and (ii) the obligations of ERG Resources and the DIP Guarantors in respect of the DIP Credit Agreement are secured by the DIP Liens in the DIP Collateral, which collateral constitutes substantially all of the Debtors' assets; and

WHEREAS, on June 15, 2015, the Bankruptcy Court authorized ERG Resources to borrow under the DIP Facility on a final basis in accordance with the terms of the DIP Loan Documents, the Interim Order, and the Final Order; and

WHEREAS, the Debtors provided the Claims Stipulations in the Final Order, including, without limitation, (a) an acknowledgment as to the validity and enforceability of (i) the Pre-Petition Facility Obligations (and that such obligations are not subject to objection, defense, counterclaim or offset of any kind); (ii) the Pre-Petition Loan Documents and the Pre-Petition Secured Obligations (and that such documents and obligations are not subject to contest, attack, objection, recoupment, defense, counterclaim, offset, subordination, re-characterization, or other claim, cause of action or other challenge); and (iii) the Pre-Petition Liens (and that such liens are not subject to contest, avoidance, attack, offset, re-characterization, subordination, or other challenge); (b) that the Debtors are not and have not been subject to the control of the Bank; and (c) that the Debtors released the Bank and its affiliates from all claims, including so-called "lender liability claims;" and

WHEREAS, the Claims Stipulations were made immediately and irrevocably binding on all persons *subject to* the right of the Committee to commence an adversary proceeding or contested matter within the Challenge Period, which period, by agreement of the Parties, was extended through and including August 6, 2015; and

WHEREAS, the Committee investigated the matters relative to the Claims Stipulations during the Challenge Period and indicated to the Bank that it was prepared to challenge some or all of the Claims Stipulations prior to the expiration of the Challenge Period; and

WHEREAS, the Committee and the Bank entered into negotiations to avoid litigation concerning the Claims Stipulations and other related matters.

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

SECTION 1. No Challenge to Claims Stipulations; Committee Bound.

The Committee hereby waives any and all rights to assert any challenge to the Claims Stipulations during or after the Challenge Period and admits, agrees, and acknowledges that it and the Debtors' estates are forever and irrevocably bound by the Claims Stipulations and that all such Claims Stipulations are true and correct in all respects. Without limiting the generality of the foregoing, the releases set forth in Paragraph G(vii) of the Final DIP Order shall be and hereby are fully enforceable against the Debtors' estates and cannot be challenged in any manner by the Committee for any reason.

SECTION 2. Funding Under the DIP Budget.

a. Obligations Affirmed. The DIP Lender admits, acknowledges, and affirms its obligations to fund the DIP Budget in accordance with the terms of the DIP Credit Agreement and the Final DIP Order; provided, that professional fees set aside in the DIP Budget for the Committee shall be equal to the Committee Professional Fee Cap (as defined below) and shall not be reduced.

b. DIP Agent's Consent to Essential Supplier Payments. The DIP Agent and the DIP Lender shall provide the requisite consent pursuant to Section 7.13(c) of the DIP Credit Agreement to permit the Debtors' estates to expend not less than \$4 million (the "**Essential Provider Bucket**") to pay some or all of the pre-petition claims (the "**Essential Provider Claims**") owed to the entities on Exhibit A hereto as authorized by the *Order Authorizing the Debtors to Pay Prepetition Claims of Certain Essential Suppliers* [Chapter 11 Cases Docket No. 320] (the "**Essential Provider Order**"). The DIP Agent, in the exercise of its sole and absolute discretion, (i) shall be entitled to determine which Essential Provider Claims to authorize for payment from the Essential Provider Bucket; and (ii) may authorize payment of individual Essential Provider Claims either in whole or in part so long as the aggregate amount of Essential Provider Claims is not less than \$4 million. In the event that the DIP Lender has not funded the full amount of the Essential Provider Bucket by the six month anniversary of the Effective Date (as defined below), (x) the DIP Lender shall advance the unused portion of the Essential Provider Bucket to the Debtor for contribution to the Liquidating Trust (as defined below) and (y) the DIP Lender shall have no further obligation to make advances in respect of Essential Provider Claims. Nothing in this Agreement does or shall expand, limit, or otherwise modify the rights or obligations set forth in the Essential Provider Order of holders of Essential Provider Claims paid from the Essential Provider Bucket.

SECTION 3. Committee Professional Fees.

Notwithstanding anything else set forth in the DIP Budget and as more particularly described in Section 9(a), the DIP Lender shall fund under the DIP Facility the lesser of (y) the amount sufficient to satisfy all claims of professionals employed by the Committee for fees and expenses allowed by the Bankruptcy Court pursuant to 11 U.S.C. § 330(a); and (z) \$1,650,000 (the “**Committee Professional Fee Cap**”). The DIP Agent and the DIP Lender shall provide the requisite consent pursuant to Section 7.13(b) of the DIP Credit Agreement to permit the Debtors to pay the Committee Professional Fee Cap. To the extent that professionals employed by the Committee accrue fees and expenses in excess of the Committee Professional Fee Cap, any such fees and expenses shall not be paid by the Bank from any collateral of the Bank or by the Debtors from the proceeds of the DIP Facility or otherwise; provided, that the Committee reserves the right to pay such fees and expenses from the proceeds of Exempt Assets (as defined below) to the extent such assets are monetized prior to the effective date of a plan of reorganization or liquidation and the establishment of the Liquidating Trust and thereafter to cause the Liquidating Trust to assume the obligation to pay the remaining amount of unpaid fees and expenses. Without limiting the generality of the foregoing, the Committee and its professionals waive the right to object to a plan of reorganization or liquidation on the grounds that the Debtors’ estates must pay the professional fees and costs of the Committee in excess of the Committee Professional Fee Cap.

SECTION 4. Bank’s Conditional Limited Waiver of Liens and Right of Recovery from Proceeds of Certain Assets.

Upon the closing of an Approved Sale (as defined in the DIP Credit Agreement) or any other transaction approved by the Bank with respect to the California Assets, which may include the direct or indirect transfer of the California Assets (as defined in the DIP Credit Agreement) to itself or any third party (any such transaction (including an Approved Sale) is referred to herein as, an “**Approved Transaction**”), the Bank shall:

a. waive any and all Liens against the following assets (collectively, the “**Exempt Assets**”): (i) any and all claims which have been or could be asserted in the litigation styled *ERG Resources LLC v. Nabors Global Holdings II Limited*, et al., No. 2012-16446, pending in the 61st Judicial District of Harris County, Texas; (ii) any and all real property owned by any of the Debtors in Liberty County, Texas (the “**Liberty County Property**”); (iii) any and all rights (other than books and records and IT rights) of any of the Debtors exclusively connected with the Liberty County Property; (iv) any and all equipment located on the Liberty County Property that is not, in the determination of the Bank in its reasonable discretion, necessary or appropriate to operate the California Assets; provided, that any assets transferred from the Debtors’ California properties to Liberty County within the 12 months preceding the Effective Date shall be conclusively deemed to be part of the California Assets unless the DIP Agent, in its sole discretion, determines otherwise; (v) all Avoidance Actions *other than* (x) Avoidance Actions that the DIP Agent determines in its reasonable discretion are related to the California Assets; provided, that the

DIP Agent and the DIP Lender shall not pursue any preference or fraudulent transfer actions against vendors and suppliers providing goods and services related to the California Assets, and (y) the Lambert Road Avoidance Actions (as defined below); and (vi) any claims of the Debtors' estates against Scott Y. Wood or any of his family members and/or non-Debtor affiliates (the "**Wood Parties**") of any kind or nature whatsoever *other than* claims constituting Lambert Road Avoidance Actions and claims relating, in the DIP Agent's reasonable discretion, to the conveyance of interests in the California Assets, including royalties, overrides and similar interests. In addition, the Bank shall cause a copy of all of the books and records exclusively related to the Exempt Assets to be delivered to the Debtors or any successors of the Debtors free and clear of the Bank's Liens; and

b. waive the right to share in the proceeds of any Exempt Assets or the Liquidating Trust, including, without limitation, on account of claims arising under 11 U.S.C. § 507(b) or relating to the DIP Facility.

c. Nothing in this Agreement is intended to or shall affect, modify, release or alter any of the claims of the Pre-Petition Agent, the Pre-Petition Lender, the DIP Agent or the DIP Lender against the Wood Parties or any obligations of Mr. Wood to any of the foregoing, including under the Owner Guaranty, the Owner Mortgage and/or the Restructuring Support Agreement in effect between the Pre-Petition Agent, the Pre-Petition Lender and Mr. Wood.

SECTION 5. Conditional Waiver of Claims of the Debtors' Estates Relating to the Lambert Road Property

Upon the closing of an Approved Transaction, the Debtors' estates shall forever waive and release all Avoidance Actions seeking either of the following (any such action, a "**Lambert Road Avoidance Action**"): (a) avoidance of any transfer of the property commonly known as 200 Lambert Road, Carpinteria, California 93013 and designated by the Santa Barbara County Assessor as parcel 005 210 047 (the "**Lambert Road Property**"); or (b) recovery of the value of the Lambert Road Property or any proceeds thereof.

SECTION 6. Liquidating Trust.

If, after or in connection with an Approved Transaction, a final order is entered by the Bankruptcy Court in the Chapter 11 Cases (a "**Liquidating Trust Order**"), including a confirmation order, establishing a trust or other entity or process for the purpose of liquidating the Exempt Assets for the benefit of general unsecured creditors (the "**Liquidating Trust**"), the Bank shall advance \$1,000,000 to the Liquidating Trust (the "**Liquidating Trust Advance**"), such funds to be used for the purpose of liquidating the Exempt Assets and other general purposes of the Liquidating Trust, but shall not be a beneficiary thereof or receive any distributions therefrom, and the Liquidating Trust shall have no obligation to repay the Liquidating Trust Advance.

SECTION 7. Support of Approved Transaction.

The Committee shall support (a) any Approved Transaction; and (b) any exercise of any rights or remedies by the Bank and/or CLMG against the Debtors or their estates; provided, that, the Bank and CLMG shall not exercise any rights or remedies against the Exempt Assets after the closing of an Approved Transaction.

SECTION 8. Effectiveness and Approval

a. Except for Section 8(b), which shall become effective immediately upon the execution of this Agreement by the Committee, this Agreement shall become effective on the first day upon which each of the following shall have occurred (the “**Effective Date**”): (i) the Bankruptcy Court shall have entered an order pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the “**Settlement Approval Order**”) in form and substance reasonably satisfactory to the DIP Agent approving this Agreement and finding that this Agreement was entered into in good faith and is subject to section 363(m) of the Bankruptcy Code; and (ii) each Party shall have executed and delivered a signed counterpart to this Agreement to each other Party.

b. By no later than August 6, 2015, the Committee shall file a motion (the “**9019 Motion**”) pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure seeking the entry of the Settlement Approval Order. The 9019 Motion shall be in form and substance reasonably satisfactory to the DIP Agent. Further, the Committee shall prosecute the 9019 Motion in good faith and shall use best efforts to cause the Bankruptcy Court to grant the 9019 Motion in all respects. Without limiting the generality of the foregoing, the Committee shall use best efforts to obtain: (i) a hearing in respect of the 9019 Motion by no later than August 25, 2015 and (ii) entry of the Settlement Approval Order by no later than August 27, 2015. The Committee shall not withdraw the 9019 Motion without the consent of the DIP Agent.

c. The DIP Agent shall be entitled to terminate this Agreement, in its sole discretion, if the Settlement Approval Order has not been entered by August 27, 2015 by providing written notice to the Committee pursuant to Section 10(i). This Agreement shall automatically terminate if the Bankruptcy Court enters an order denying approval of this Agreement. In the event of a termination, the Parties shall be placed into the same position as they occupied immediately prior to the execution of this Agreement and the Challenge Period shall be deemed to expire at the end of the next business day following the termination date.

SECTION 9. Funding of Certain Payments.

a. Upon the closing of an Approved Transaction, the DIP Agent and the DIP Lender shall fund into the Debtors’ estates an amount equal to the difference between \$1,650,000 and the amount of professional fees and expenses already funded to the Debtors to pay Committee professionals (the “**Committee Amount**”). The Committee Amount shall be part of the Post Sale Carve-Out provided for the Final DIP Order and the funding set

forth in this Section 9 shall be part of the funding required by paragraph 15 of the Final DIP Order. The Post Sale Carve-Out shall be modified in the Settlement Approval Order as needed to reflect the incorporation of the Committee Professional Fee Cap into the Post Sale Carve-Out. Nothing in this Agreement shall affect the rights of the Debtors' professionals to receive their allocated portions of the Post Sale Carve-Out on the terms and conditions set forth in the Final DIP Order and the DIP Budget. The Debtors shall repay to the DIP Agent on demand any portion of the Committee Amount ultimately determined by the DIP Agent to be in excess of the Committee Professional Fee Cap.

b. Upon the closing of an Approved Transaction, the DIP Lender shall deposit into an escrow account maintained with the DIP Lender the Liquidating Trust Advance. The Liquidating Trust Advance shall be released (i) to the Liquidating Trust upon the entry of a Liquidating Trust Order, or, (ii) if no Liquidating Trust Order has been entered on or before December 31, 2015, to the Debtors' estates.

SECTION 10. Miscellaneous Terms.

a. Authority; Binding Effect. Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement on behalf of the Party for whom he or she signs. Each Party represents and warrants to the other that the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized and that this Agreement is a valid and legal agreement binding on such Party and enforceable in accordance with its terms.

b. Further Assurances. The Parties agree to execute and deliver such other instruments and perform such acts, in addition to the matters herein specified, as may be reasonably appropriate or necessary, from time to time, to effectuate this Agreement.

c. Headings. The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision hereof.

d. Governing Law. THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CHOICE OF LAWS PRINCIPLES THEREOF. By its execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding with respect to any matter under or arising out of or in connection with this Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought exclusively in the Bankruptcy Court. By execution and delivery of this Agreement, each of the Parties hereto hereby irrevocably accepts and submits itself to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding.

e. Interpretation. When a reference is made in this Agreement to a Section, Schedule or Exhibit, such reference shall be to a Section, Schedule or Exhibit of this Agreement unless otherwise indicated. Whenever the words “included,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the phrase “without limitation.” Unless otherwise indicated, all references to dollars refer to United States dollars. This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

f. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, but all such counterparts shall constitute one and the same instrument, and all signatures need not appear on any one counterpart. Any Party hereto may execute and deliver a counterpart of this Agreement by delivering by facsimile or other electronic transmission a signature page of this Agreement signed by such Party, and any such facsimile or other electronic signature shall be treated in all respects as having the same effect as an original signature.

g. Amendments. This Agreement may only be modified, altered, amended or supplemented by an agreement in writing signed by each Party hereto.

h. Settlement Discussions. This Agreement is part of a proposed settlement of a dispute between the Parties. Nothing herein shall be deemed an admission of any kind. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

i. Notices. Any notices in respect of this Agreement shall be made in writing and delivered by courier or by registered or certified mail (return receipt requested) to the following addresses and email addresses (or at such other addresses or email addresses as shall be specified by like notice):

If to the Bank:

CLMG Corp.
7195 Dallas Parkway
Plano, TX 75024
Attn: James Erwin
jerwin@clmgcorp.com

with a copy (which shall not constitute notice) to:

White & Case LLP
555 South Flower Street, Suite 2700

Los Angeles, CA 90071
Attn: Roberto J. Kampfner
rkampfner@whitecase.com

If to the Committee, to:


Pachulski Stang Ziehl & Jones LLP
780 Third Avenue, 34th Floor
New York, NY 10017
Attn: Robert J. Feinstein
rfeinstein@pszjlaw.com

Any notice given by delivery, mail or courier shall be effective when received. Any notice given by email shall be effective upon oral or electronic confirmation of transmission.

j. Complete Agreement. This Agreement and the DIP Documents, including the Final DIP Order, constitute the complete agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect thereto.

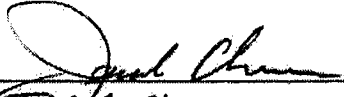
IN WITNESS WHEREOF, the Parties have entered into this SETTLEMENT
AND TRANSACTION SUPPORT AGREEMENT on the day and year first above written.

CLMG CORP.

By: 
Name: **James Erwin**
Title: **President**

WA

LVN CORPORATION

By: 
Name: **JACOB Choma**
Title: **EVP**

WA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the Parties have entered into this SETTLEMENT
AND TRANSACTION SUPPORT AGREEMENT on the day and year first above written.

CLMG CORP.

By: _____
Name:
Title:

LNV CORPORATION

By: _____
Name:
Title:

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS

By: *Christopher J. Ryan*
Name: *CHRISTOPHER J. RYAN*
Title: *CHAIRMAN*

EXHIBIT A

ERG Intermediate Holdings, LLC et al. ("Debtors in Possession")

Vendor	Scheduled Amount	Filed Claim Amount
Pacific Petroleum California (1)	\$ 1,887,815	Not Filed
M M I Services, Inc.	1,712,531	1,717,331
Harry E. Hagen-Treas/Collector	959,481	Not Filed
Construction Specialty Service	880,262	Not Filed
Pat Phelan Construction	617,858	Not Filed
West Coast Welding & Constr. I	520,085	555,725
Central Coast Piping Products	366,068	383,962
SCS Engineers/Tracer	344,609	Not Filed
Speed's Oil Tool Service Inc	300,113	303,257
P C Mechanical Inc	292,016	Not Filed
Quinn Pumps CA, Inc	215,085	263,469
Quinn Pumps Inc.	49,949	See Quinn Pumps CA
Dowden Electrical Service	242,255	Not Filed
Electrical Solutions Corp	142,487	Not Filed
Nalco Company	135,458	Not Filed
Engel & Gray Inc	111,449	111,449
Netherland Sewell & Associates	93,434	Not Filed
Packer Service Inc	87,884	Not Filed
Sweet Oil Tool Rental Inc	83,887	Not Filed
APT American Pipe & Tubing	75,323	Not Filed
Cavins Oil Well Tools	74,662	87,224
Eco-Tec Inc.	66,480	Not Filed
Gazelle Transportation Inc.	45,990	Not Filed
Baker Hughes Business Support	34,812	34,812
Terrain Consulting, Inc.	30,535	36,154
Rain For Rent Santa Paula	25,373	25,711
Subtotal - First Batch Vendors	\$ 9,395,899	\$ 3,519,092
Second Batch of Critical Vendors		
D.D. Technology Inc.	22,600	Not Filed
Dyno - Tech	19,956	19,956
J B Dewar Inc	12,671	12,671
Nalco Company	4,988	Not Filed
San Joaquin Bit Service, Inc	4,780	Not Filed
CSS Drilling Tools	4,140	Not Filed
Century Calibrating Company	3,807	Not Filed
Searles Valley Minerals Inc.	3,794	Not Filed
SSCI Environmental	3,312	Not Filed
Well Analysis Corporation	1,100	Not Filed
Valley Valve, Inc.	568	Not Filed
Zalco Laboratories Inc	481	481
Petrotech Resources Company	263	Not Filed
Verizon Southwest	118.49	Not Filed
Verizon Communications	8.43	Not Filed
Subtotal - Second Batch Vendors	\$ 82,588	\$ 33,108
Total - Essential Suppliers	\$ 9,478,487	\$ 3,552,199

EXHIBIT B

ERG Plan Trust Declaration

ERG PLAN TRUST DECLARATION

This ERG Plan Trust Declaration (the “**Declaration**”), executed as of October [●], 2015 and made effective as of the Effective Date,¹ is made by and among ERG Intermediate Holdings, LLC (“**Intermediate Holdings**”) and the Person identified as the ERG Plan Trustee on the signature page hereof and appointed by order of the Bankruptcy Court (the “**Plan Trustee**”) pursuant to the Plan.

WHEREAS, Intermediate Holdings is a holding company that owns, directly or indirectly, ERG Interests, ERG Operating, ERG Resources, and West Cat Canyon (collectively, with Intermediate Holdings, the “**Debtors**”); and

WHEREAS, as a result of their inability to satisfy their debts when and as they became due, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing the Chapter 11 Cases; and

WHEREAS, the Bankruptcy Court confirmed the Plan on [●], and, pursuant to the Plan, retains continuing jurisdiction over matters arising under the Plan; and

WHEREAS, the Plan calls for the creation of the ERG Plan Trust upon the Effective Date of the Plan for the purposes set forth in the Plan and for the benefit of the holders of Class A ERG Plan Trust Beneficial Interests and Class B ERG Plan Trust Beneficial Interests; and

WHEREAS, the holders of Class A ERG Plan Trust Beneficial Interests and Class B ERG Plan Trust Beneficial Interests have conflicting claims of ownership to the property to be held by the ERG Plan Trust, and a purpose of the ERG Plan Trust is to resolve those claims of ownership.

NOW, THEREFORE, pursuant to the Plan and the Confirmation Order, in consideration of the premises, the mutual agreements of Intermediate Holdings and the Plan Trustee contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and affirmed, intending to be legally bound, Intermediate Holdings and the Plan Trustee hereby agree:

¹ Where the context requires, each capitalized term used but not otherwise defined herein shall have the meaning ascribed to such term in the *First Amended Joint Chapter 11 Plan of Reorganization Dated September 18, 2015 in Respect of ERG Intermediate Holdings, LLC and Its Affiliated Debtors* (as may be amended, modified or supplemented from time to time, including, but not limited to, pursuant to the Confirmation Order, the “**Plan**”).

ARTICLE 1

DECLARATION OF TRUST

1.1 Creation and Name. Intermediate Holdings and the Plan Trustee hereby create a trust known as the “ERG Plan Trust,” which is the ERG Plan Trust called for and referred to in the Plan.

1.2 Purpose. The ERG Plan Trust is established for the primary purpose of liquidating or otherwise reducing to Cash its assets in accordance with Treas. Reg. § 301.7701-4(d) with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the ERG Plan Trust. Accordingly, the Plan Trustee shall, in an expeditious but orderly manner, liquidate or otherwise reduce to Cash the non-Cash ERG Plan Trust Property, make timely distributions to the holders of ERG Plan Trust Beneficial Interests (subject to the terms of the Plan), and not unduly prolong the duration of the ERG Plan Trust. The ERG Plan Trust shall not be deemed a successor-in-interest of any Debtor for any purpose.

1.3 Declaration of Trust. In order to declare the terms and conditions hereof, and in consideration of the confirmation of the Plan, Intermediate Holdings and the Plan Trustee have executed this Declaration and, effective on the Effective Date, Intermediate Holdings shall issue and deliver to the ERG Plan Trust, without recourse, all of the Membership Interests in Intermediate Holdings under and subject to the terms of the Plan and the Confirmation Order, for the benefit of the holders of ERG Plan Trust Beneficial Interests (to the extent of their respective legal entitlements) and their successors and assigns as provided for in this Declaration and in the Plan and Confirmation Order. Any such transfer shall be treated for U.S. federal income tax purposes as described in Article 6 herein.

1.4 Acceptance of Assets and Obligations.

(a) In furtherance of the purposes of the ERG Plan Trust, the Plan Trustee, on behalf of the ERG Plan Trust, hereby expressly accepts all of the Membership Interests in Intermediate Holdings in the time and manner as contemplated in the Plan.

(b) The Plan Trustee hereby accepts the obligations imposed upon the trustee by this Declaration and agrees to observe and perform such obligations subject to the terms and conditions set forth in this Declaration, the Plan, and the Confirmation Order.

ARTICLE 2

POWERS OF THE PLAN TRUSTEE AND TRUST ADMINISTRATION

2.1 Powers.

(a) The Plan Trustee shall have the power to administer the ERG Plan Trust Property in a manner consistent with this Declaration and the Plan and subject to the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents.

(b) Subject to the limitations set forth in this Declaration, the Plan Trustee shall have the power to take any and all actions that, in the judgment of the Plan Trustee, are necessary or proper to fulfill the purposes of the ERG Plan Trust, including, without limitation, each power expressly granted in this Section 2.1, any power reasonably incidental thereto, and any trust power now or hereafter permitted under the laws of the State of [Texas.]

(c) Except as otherwise specified herein or in the Plan, the Plan Trustee need not obtain the order or approval of any court in the exercise of any power or discretion conferred hereunder or in the Plan.

(d) Without limiting the generality of Subsection 2.1(a) of this Declaration, and except as otherwise limited herein and in the Plan, the Plan Trustee shall have the power to, or cause the ERG Plan Trust to, as applicable:

(i) receive and hold the ERG Plan Trust Property, and exercise all rights with respect to (including sale of) any or all such assets;

(ii) subject to the limitations of Section 2.3 of this Declaration, invest the monies held from time to time by the ERG Plan Trust in a manner in which individuals of ordinary prudence, discretion, and judgment would act in the management of their own affairs;

(iii) enter into agreements with third parties, but only to the extent such agreements are reasonably necessary to the administration of the ERG Plan Trust, in accordance with the terms of the Plan, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents and this Declaration;

(iv) pay liabilities and expenses of the ERG Plan Trust;

(v) subject to the other provisions of this Declaration, establish such funds, reserves, and accounts within the ERG Plan Trust estate as deemed by the Plan Trustee to be useful in carrying out the purposes of the ERG Plan Trust;

(vi) sue and be sued and participate, as a party or otherwise, in any judicial, administrative, arbitral or other proceeding;

(vii) supervise and administer the ERG Plan Trust in accordance with the provisions of the Plan;

(viii) take all actions reasonably necessary to market the ERG Plan Trust Property in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents;

(ix) engage such legal, financial, accounting, investment, auditing and forecasting and other consultants or alternative dispute resolution panelists and agents as the business of the ERG Plan Trust requires, and to delegate to such persons such powers and authorities as the fiduciary duties of the Plan Trustee permit and as the Plan Trustee, in the trustee's discretion, deems advisable or necessary in order to carry out the terms of this ERG Plan Trust in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents;

(x) pay employees, legal, financial, accounting, investment, auditing, and forecasting, and other consultants, advisors, and agents reasonable compensation, including without limitation, compensation at rates approved by the Plan Trustee for services rendered prior to the execution hereof in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents;

(xi) in accordance with and subject to the terms of the Plan, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents, pay reasonable compensation to the Plan Trustee, and the trustee's agents, and reimburse to them all reasonable out-of-pocket costs and expenses incurred by such Persons in connection with the performance of their duties hereunder, including without limitation, costs and expenses incurred prior to the execution hereof;

(xii) execute and deliver such instruments as the Plan Trustee considers proper in administering the ERG Plan Trust in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents;

(xiii) enter into such other arrangements with third parties as are deemed by the Plan Trustee to be useful in carrying out the purposes of the ERG Plan Trust, provided such arrangements do not conflict with any other provision of this Declaration, the Exit Facility Loan Documents or the Amended and Restated Prepetition Loan Documents;

(xiv) indemnify (and purchase insurance indemnifying) the Plan Trustee, and the Debtors, and the respective agents of the ERG Plan Trust and the Debtors, to the fullest extent that a corporation or trust organized under the law of the ERG Plan Trust's situs is from time to time entitled to indemnify and/or insure such agents; and

(xv) take all other actions consistent with the provisions of the Plan and the Plan Documents.

2.2 Specific Duties of the Plan Trustee.

The Plan Trustee shall:

(a) Pledge the Membership Interests in Intermediate Holdings to support the obligations of the Reorganized Debtors in respect of the Exit Facility and the Prepetition Facility.

(b) At all times maintain authority under the terms of the Reorganized Debtors Operating Agreements (as the sole director of the Reorganized Debtors) to (i) approve or prohibit any sale of all or substantially all of the Assets of the Reorganized Debtors; (ii) actively market (A) the Membership Interests in Intermediate Holdings and/or (B) all or substantially all of the Assets of the Reorganized Debtors for sale in a manner reasonably calculated to maximize the value of such assets within three years of the Effective Date, and (iii) cause the Reorganized Debtors to enter into and consummate a sale of all or substantially all of the Assets of the Reorganized Debtors at the discretion and direction of the Plan Trustee, in each case in a manner consistent with the Plan, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents.

(c) Promptly provide the Exit Facility Agent and the Prepetition Agent with a summary of all bona fide offers in respect of a sale, transfer, lease or exchange of (i) the Membership Interests in Intermediate Holdings and/or (ii) all or substantially all of the Assets of the Reorganized Debtors. Such summary shall provide the Exit Facility Agent and the Prepetition Agent with notice of the material terms of any such offers, including the proposed consideration.

(d) Notwithstanding anything set forth in Declaration, accept or cause to be accepted any offer of purchase from a third party for (i) the Membership Interests in Intermediate Holdings and/or (ii) all or substantially all of the Assets of the Reorganized Debtors containing cash consideration payable upon closing of at least \$200 million; provided that the Exit Facility Agent, the Exit Facility Lenders, the Prepetition Agent and the Prepetition Lenders each shall consent to any offer of purchase described in clause (i) and clause (ii) of this Section 2.2(d) prior to the acceptance by the Plan Trustee and/or the Reorganized Debtors of any such offer.

(e) Consummate a sale of (i) the Membership Interests in Intermediate Holdings or (ii) cause to be consummated a sale of all or substantially all of the Assets of the Reorganized Debtors within three (3) years of the Effective Date or such other period as agreed to in writing by the Exit Facility Agent, the Exit Facility Lenders, the Prepetition Agent, and the Prepetition Lenders, in each case in a manner reasonably calculated to maximize the value of such assets; provided that any sale described in clause (i) and clause (ii) of this Section 2.2(e) or any other sale of assets by the Plan Trustee shall be consistent with the Plan, this Declaration, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents.

(f) In its capacity as the sole director of the Reorganized Debtors, oversee the management of the Reorganized Debtors by, among other things:

(i) assuring that the Reorganized Debtors comply in all respects with the terms of the Amended and Restated Prepetition Loan Documents and the Exit Facility Loan Documents;

(ii) approving reasonable curative measures to improve production and reduce operational costs consistent with the objective of maximizing the value of the Membership Interests in Intermediate Holdings and substantially all of the Assets of the Reorganized Debtors in a manner consistent with the Plan, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents;

(iii) approving reasonable capital improvements deemed necessary or appropriate to enhance the value of the Assets held by the Reorganized Debtors consistent with the objective of maximizing the value of the Membership Interests in Intermediate Holdings and substantially all of the Assets of the Reorganized Debtors in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents; and

(iv) preparing the Assets of the Reorganized Debtors for direct or indirect sale, including by a sale of the Membership Interests in Intermediate Holdings, in a manner that is reasonably calculated to maximize the value of the Membership Interests in Intermediate Holdings in a manner consistent with the terms of this Declaration, the Exit Facility Loan Documents and the Prepetition Loan Documents.

(g) Apply or cause to be applied the proceeds of any sale of the Membership Interests in ERG Intermediate Holdings or all or substantially all of the Assets of the Reorganized Debtors in accordance with the following waterfall (the “**Distribution Procedures**”):

- (i) *First*, to the ERG Plan Trust in an amount equal to the Plan Trustee’s good faith estimate of the actual and necessary costs of administering the ERG Plan Trust plus a reasonable reserve for the winding up of the affairs of the ERG Plan Trust, which amount shall be maintained by the ERG Plan Trust in a segregated account and used only for such purposes, with any excess contained in such account upon the winding up of the ERG Plan Trust to be applied in accordance with this waterfall except that the ERG Sharing Amount shall not be paid out of any such excess;
- (ii) *Second*, to pay in full all Exit Facility Claims, including all of the principal, interest, fees, and other obligations owed by the Reorganized Debtors in respect of the Exit Facility Loan Documents;
- (iii) *Third*, to pay in full all of the Prepetition Facility Claims, including all of the principal, interest, fees, and other obligations owed by the Reorganized Debtors in respect of the Prepetition Loan Documents, provided, that the ERG Sharing Amount shall be distributed to or retained by the ERG Plan Trust (as the case may be) for ratable distribution to the ERG Plan Trust Beneficial Interests as set forth in the “*Fifth*” clause below;
- (iv) *Fourth*, to pay unsecured claims, if any, incurred after the Effective Date of the Plan; and
- (v) *Fifth*, to the ERG Plan Trust, which shall apply any such proceeds in the following order: (A) to the holder of the Class A ERG Plan Trust Beneficial Interests, until the holders of Allowed Unsecured Claims have received, in the aggregate and from all sources (including from the Exempt Assets Trust), an amount equal to such Unsecured Claims; and (B), ratably, to the holders of Class B ERG Plan Trust Beneficial Interests.

2.3 Limitations on Powers. Notwithstanding anything under applicable law or this Declaration to the contrary, the Plan Trustee shall not do or undertake any of the following:

- (a) Take any action that would jeopardize treatment of the ERG Plan Trust as a “disputed ownership fund” qualifying under Treasury Regulation Section 1.468B-9.
- (b) Receive transfers of any listed stocks or securities, or any readily marketable securities, except as is absolutely necessary or required under the Plan and the Confirmation Order.

(c) Receive or retain Cash or Cash equivalents in excess of a reasonable amount necessary to make distributions to holders of ERG Plan Trust Beneficial Interests and satisfy any liabilities of the ERG Plan Trust (including any operating expenses of the ERG Plan Trust) and to establish and maintain any appropriate reserves.

(d) Receive or retain any operating assets of a going business, a partnership interest in a partnership that holds operating assets, or fifty percent (50%) or more of the stock of a corporation which directly holds operating assets.

(e) Take any action prohibited by the Plan, Confirmation Order, or this Declaration.

(f) Make any investment of Cash which would not constitute a Permitted Investment as such term is defined in the Amended and Restated Prepetition Loan Documents and the Exit Facility Loan Documents.

2.4 General Administration.

(a) The Plan Trustee is and shall act as a fiduciary to the ERG Plan Trust in accordance with the provisions of this Declaration and the Plan. The Trustee shall discharge its fiduciary duties in respect of liquidating or otherwise reducing to cash the ERG Plan Trust Property by consummating a sale transaction, in accordance with and subject to the provisions of this Declaration and the Plan specifically governing such a transaction, which, in the Trustee's reasonable, good faith determination, results in the highest price reasonably attainable for the ERG Plan Trust Property under the circumstances and market conditions at the time of such transaction, including in light of the obligations of the Reorganized Debtors under the Exit Facility and the Prepetition Facility. For the avoidance of doubt, the Plan Trustee shall be under no obligation to consider the extent to which such sale will result in distributions to the holders of ERG Plan Trust Beneficial Interests or any class thereof. The Plan Trustee shall have no liability to the holders of any ERG Plan Trust Beneficial Interests for accepting an offer of sale pursuant to Section 2.2(c) of this Declaration.

(b) The Plan Trustee shall make distributions of net income and proceeds from the liquidation of ERG Plan Trust Property that is available for distribution to holders of ERG Plan Trust Beneficial Interests in the priority set forth in Section 7.6(a)(ii) of the Plan and Section 2.2(f) above not less frequently than once annually, unless the Plan Trustee determines, in the trustee's reasonable discretion, that making such a distribution is impracticable in light of the anticipated Cash needs of the ERG Plan Trust going forward, or that, in light of the Cash available for distribution, making a distribution to one or more classes of ERG Plan Trust Beneficial Interests would not warrant the incurrence of costs in making the distribution.

(c) The Plan Trustee shall maintain in respect of the ERG Plan Trust and the holders of ERG Plan Trust Beneficial Interests books and records relating to the ERG Plan Trust Property and income realized therefrom and the payment of expenses of and claims against or assumed by the ERG Plan Trust in such detail and for such period of time as may be necessary to enable it to make full and proper reports in respect thereof. Except as expressly provided in this Declaration, the Plan, or the Confirmation Order, or as may be required by applicable law, nothing in this Declaration is intended to require the ERG Plan Trust to file any accounting or

seek approval of any court with respect to the administration of the ERG Plan Trust, or as a condition for making any payment or distribution out of the ERG Plan Trust Property.

(d) To the extent that the ERG Plan Trust Beneficial Interests are deemed securities, the issuance of ERG Plan Trust Beneficial Interests under the Plan shall be exempt from registration under the Securities Act of 1933, as amended, and applicable state and local laws requiring registration of securities pursuant to section 1145 of the Bankruptcy Code. If the Plan Trustee determines, with the advice of counsel, that the Plan Trustee is required to comply with the registration and reporting requirements of the Securities Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Plan Trustee shall take commercially reasonable efforts to comply with such reporting requirements and file periodic reports with the Securities and Exchange Commission.

ARTICLE 3

ERG PLAN TRUST BENEFICIAL INTERESTS

3.1 Register of ERG Plan Trust Beneficial Interests. ERG Plan Trust Beneficial Interests will be represented by book entries on the books and records of the ERG Plan Trust.

3.2 Allocation of ERG Plan Trust Beneficial Interests. The allocation and distribution of the ERG Plan Trust Beneficial Interests shall be accomplished as set forth in the Plan.

3.3 Interests Beneficial Only. The ownership of an ERG Plan Trust Beneficial Interest shall not entitle any holder to any title in or to the ERG Plan Trust Property as such (which title shall be vested in the ERG Plan Trust) or to any right to call for a partition or division of the ERG Plan Trust Property or to require an accounting.

3.4 Transfers of Beneficial Interests. No transfer, assignment, pledge or hypothecation of any ERG Plan Trust Beneficial Interest, either in whole or in part, shall be effective except upon death of the interest holder or by operation of law. The ERG Plan Trust shall not have any obligation to recognize any transfer of Claims or Interests occurring after the Effective Date, except as provided for in this Declaration.

3.5 Absolute Owners. The Plan Trustee may deem and treat the holder of any ERG Plan Trust Beneficial Interest reflected as the owner of a beneficial interest on the Register as the absolute owner thereof for the purposes of receiving distributions and payments on account thereof for federal and state income tax purposes and for all other purposes whatsoever.

3.6 Exemption from Registration. The parties hereto intend that the ERG Plan Trust Beneficial Interests shall not be “securities” under applicable laws, but none of the parties hereto represent or warrant that such rights shall not be securities or shall be entitled to exemption from registration under applicable securities laws. If such rights constitute securities, the parties hereto intend for the exemption from registration provided by section 1145 of the Bankruptcy Code and under applicable securities laws to apply to their issuance under the Plan.

3.7 Effect of Death, Dissolution, Incapacity, or Bankruptcy of Beneficiary. The death, dissolution, incapacity, or bankruptcy of a Beneficiary during the term of the ERG Plan Trust shall not operate to terminate the ERG Plan Trust during the term of the ERG Plan Trust, nor shall it entitle the representative or creditors of the deceased, incapacitated, or bankrupt Beneficiary to an accounting or to take any action in any court or elsewhere for the distribution of the ERG Plan Trust Property or for a partition thereof, nor shall it otherwise affect the obligations or rights of the holders of ERG Plan Trust Beneficial Interests under this Declaration or in the ERG Plan Trust.

3.8 Tax Identification Number. The Plan Trustee may require any holders of an ERG Plan Trust Beneficial Interest to furnish such holder's social security number or employer or taxpayer identification number as assigned by the IRS and complete any related documentation (including but not limited to a Form W-8 or Form W-9), and the Plan Trustee may condition any distribution to any Beneficiary upon the receipt of such information and the receipt of such other documents as the Plan Trustee reasonably requests.

ARTICLE 4

ACCOUNTS AND PAYMENTS

4.1 Accounts. The Plan Trustee may, from time to time, create such accounts and reserves within the ERG Plan Trust estate as the trustee may deem necessary, prudent, or useful in order to (i) make appropriate payments and distributions in accordance with the Distribution Procedures, (ii) provide for the satisfaction of the reasonable liabilities of the ERG Plan Trust incurred in accordance with this Declaration and in a manner consistent with the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents, and (iii) provide for the winding up of the ERG Plan Trust in a manner consistent with the Plan, this Declaration, the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents, and may, with respect to any such accounts or reserves, restrict the use of monies therein. In the interest of clarity, nothing herein shall permit the Plan Trustee to establish any accounts or reserves with funds subject to Liens granted under the Exit Facility Loan Documents or the Amended and Restated Prepetition Loan Documents.

4.2 Source of Payments. All ERG Plan Trust expenses and all liabilities with respect to holders of ERG Plan Trust Beneficial Interests shall be payable solely by the ERG Plan Trust from the ERG Plan Trust Property, as permitted by the Exit Facility Loan Documents and the Amended and Restated Prepetition Loan Documents. Except as otherwise set forth in the Plan, none of the Debtors, the Reorganized Debtors, any successor in interest, the Plan Trustee, nor any of their officers, agents, advisors, or employees, shall be liable for the payment of any ERG Plan Trust expense or any other liability of the ERG Plan Trust.

ARTICLE 5

TRUSTEE

5.1 Number. There shall be one Plan Trustee. The initial Plan Trustee shall be that person named on the signature page hereof. The appointment of the Plan Trustee and the terms of the trustee's compensation are subject to approval of the Bankruptcy Court.

5.2 Term of Service.

(a) The Plan Trustee named pursuant to Section 5.1 of this Declaration, and any successor thereto appointed pursuant to Section 5.3 of this Declaration, shall serve from the Effective Date until the earlier of (i) such trustee's death or dissolution, as applicable; (ii) such trustee's resignation pursuant to Subsection 5.2(b) of this Declaration; (iii) such trustee's removal pursuant to Subsection 5.2(c) of this Declaration; or (iv) the termination of the ERG Plan Trust pursuant to Section 7.2 of this Declaration, or as otherwise required by the Plan.

(b) Any Plan Trustee may resign at any time by written notice to the Reorganized Debtors, the Prepetition Agent, the Prepetition Lenders, the Exit Facility Agent, and the Exit Facility Lenders (or any of their successors or assigns). Such notice shall specify a date when such resignation shall take effect, which shall not be fewer than ninety (90) days after the date such notice is given, where practicable.

(c) Any Plan Trustee may be removed by the holder of the Class A ERG Plan Trust Beneficial Interests in the event that such Plan Trustee becomes unable to discharge the duties described herein due to accident or physical or mental deterioration, or for other good cause. "Good cause" shall be deemed to include, without limitation, any substantial failure to comply with Section 2.4 of this Declaration or a consistent pattern of neglect and failure to perform or participate in performing the duties of the Plan Trustee hereunder. Such removal shall require an order of the Bankruptcy Court, on the motion of the holders of the Class A ERG Plan Beneficial Interests, determining that "good cause" is shown for the removal of the Plan Trustee in accordance with this Subsection 5.2(c). Such motion shall be served on the Prepetition Agent, the Exit Facility Agent, the Exit Facility Lenders, and the Prepetition Lenders and any such persons shall have the right to object to any such motion. Such removal shall take effect upon entry of the Bankruptcy Court's order or such other time as may be specified in such order.

5.3 Appointment of Successor Plan Trustee.

(a) In the event of a vacancy in the position of the Plan Trustee (including as a result of removal pursuant to Section 5.2(c)), the vacancy shall be filled by order of the Bankruptcy Court on application of the holders of Class A ERG Plan Trust Beneficial Interests. Such replacement Plan Trustee shall be a person or entity reasonably satisfactory to the Prepetition Agent and the Exit Facility Agent. If no such application has been made within sixty (60) days of the vacancy, the vacancy shall be filled by order of the Bankruptcy Court on application of the Exit Facility Agent.

(b) Immediately upon the appointment of any successor Plan Trustee, all rights, titles, duties, powers, and authority of the predecessor Plan Trustee hereunder shall be vested in, and undertaken by, the successor Plan Trustee without any further act. No successor Plan Trustee shall be liable personally for any act or omission of any predecessor Plan Trustee.

5.4 Liability of Plan Trustee, Officers and Employees. Neither the Plan Trustee, nor any of the employees, attorneys, agents, or other professionals of the Plan Trustee or the ERG Plan Trust (each, an "**Agent**") shall be liable to the ERG Plan Trust, to any Beneficiary, or to any other Person, except for the Plan Trustee's or an Agent's own breach of trust committed in

bad faith or willful misappropriation. The Plan Trustee shall not be liable for any act or omission of any Agent, unless the Plan Trustee acted with bad faith in the selection or retention of such Agent. In addition to the foregoing, the Plan Trustee and the Agents shall have the benefit of each of the applicable exculpations set forth in the Plan.

5.5 Compensation and Expenses of the Plan Trustee.

(a) The Plan Trustee shall receive compensation from the ERG Plan Trust for his or her services as Plan Trustee in the amount of \$[●] per month. Such amount shall be approved by the Bankruptcy Court.

(b) During the period from the Confirmation Date to the Effective Date, the Debtors shall reimburse the Plan Trustee for actual and necessary out-of-pocket expenses incurred by the trustee in preparing to assume the responsibilities of the Plan Trustee under this Declaration in an aggregate amount not to exceed \$50,000.

(c) On and after the Effective Date, the ERG Plan Trust shall promptly reimburse the Plan Trustee for all reasonable out-of-pocket costs and expenses incurred by the Plan Trustee in connection with the performance of the trustee's duties hereunder.

5.6 Indemnification of the Plan Trustee and Additional Indemnitees.

(a) The ERG Plan Trust shall indemnify and defend the Plan Trustee to the fullest extent that a corporation or trust organized under the laws of the ERG Plan Trust's situs is from time to time entitled to indemnify and defend its directors, trustees, officers, and employees against any and all liabilities, expenses, claims, damages, or losses incurred by them in the performance of their duties hereunder. Notwithstanding the foregoing, the Plan Trustee shall not be indemnified or defended in any way for any liability, expense, claim, damage, or loss for which it is liable under Section 5.4 of this Declaration.

(b) The Plan Trustee shall have the power, generally or in specific cases, to cause the ERG Plan Trust to indemnify the Agents to the same extent as provided in this Section 5.7(a) of this Declaration with respect to the Plan Trustee.

(c) Any indemnification of an Agent under Subsection 5.7(b) of this Declaration shall be made by the ERG Plan Trust upon a determination by the Plan Trustee that indemnification of such Agent is proper in the circumstances.

(d) Reasonable expenses, costs, and fees (including attorneys' fees and costs) incurred by or on behalf of a Plan Trustee and any Agents in connection with any action, suit or proceeding, whether civil, administrative or arbitral, from which they are indemnified by the Trust pursuant to this Subsection 5.7, shall be paid by the ERG Plan Trust in advance of the final disposition thereof upon receipt of an undertaking, by or on behalf of such Plan Trustee and/or any Agents, to repay such amount in the event that it shall be determined ultimately by Final Order that such Plan Trustee and/or Agents are not entitled to be indemnified by the ERG Plan Trust.

(e) The Plan Trustee may purchase and maintain reasonable amounts and types of insurance on behalf of any individual who is or was a Plan Trustee, an Agent, or their respective agents,

(f) against liability asserted against or incurred by such individual in that capacity or arising from his or her status as such.

5.7 Plan Trustee's Lien. The Plan Trustee and the trustee's Agents shall have a lien upon the ERG Plan Trust Property to secure the payment of any amounts payable to them pursuant to Sections 5.5, 5.6, or 5.7 hereof, subject only to the liens securing the Exit Facility and the Prepetition Facility.

5.8 Plan Trustee's Employment of Experts. The Plan Trustee may, but shall not be required to, retain or consult with counsel, accountants, appraisers, auditors, and forecasters, and other parties deemed by the Plan Trustee to be qualified as experts on the matters submitted to them and the opinion of any such parties on any matters submitted to them by the Plan Trustee shall be full and complete authorization and protection in respect of any action taken or not taken by the Plan Trustee hereunder in good faith and in accordance with the written opinion of any such party.

5.9 Plan Trustee's Independence. No Plan Trustee shall, during the term of such trustee's service, hold a financial interest in, act as attorney or agent for, or serve as any other professional for, the Debtors or any Beneficiary.

5.10 Bond. The Plan Trustee shall not be required to post any bond or other form of surety or security unless otherwise ordered by the Bankruptcy Court.

ARTICLE 6

TAXES

6.1 Income Tax Status. The Assets held in the ERG Plan Trust will be deemed held in a "disputed ownership fund" under Treasury Regulation Section 1.468B-9, and as such the ERG Plan Trust shall be treated as a "C corporation" for purposes of Subtitle F of the Internal Revenue Code. The Plan Trustee shall be the "administrator" of the ERG Plan Trust for such purposes and shall obtain an employer identification number for the ERG Plan Trust.

6.2 Tax Treatment of Transfer of Assets to the ERG Plan Trust. When owned by the ERG Plan Trust, the Debtors are entities that are disregarded as separate from their owners for federal income tax purposes and, accordingly, it is the assets of the Debtors that the ERG Plan Trust is deemed to acquire. Pursuant to Treasury Regulation § 1.468B-9(c)(3)(i), the ERG Plan Trust shall not include any amount of income on account of the receipt of the assets of the Debtors by the ERG Plan Trust, but shall include in income all income received or accrued from the assets of the Debtors after receipt by the ERG Plan Trust.

6.3 Tax Returns. The Plan Trustee shall file all required income tax and information returns of the ERG Plan Trust and deposit all tax payments of the ERG Plan Trust and otherwise

pay all taxes owed by the ERG Plan Trust, and shall make on a timely basis the election described in Treasury Regulation Section 1.468B-9(c)(2)(ii) with respect to the ERG Plan Trust.

6.4 Valuations and Tax Basis. As soon as practicable after the Effective Date, the ERG Plan Trustee shall value the assets of the ERG Plan Trust as set forth in the ERG Plan Trust Declaration. It has been determined and agreed that the value of the assets of the Reorganized Debtors is equal to the principal amount of the Prepetition Facility Claims and such valuation shall be used consistently by all parties for all federal income tax purposes, including to establish the initial tax basis of the Assets transferred to the ERG Plan Trust, unless otherwise required by applicable law. The Bankruptcy Court shall resolve any dispute regarding such valuation.

6.5 Expedited Determination of Taxes. The ERG Plan Trust may request an expedited determination of taxes of the ERG Plan Trust under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of the ERG Plan Trust for all taxable periods through the termination of the ERG Plan Trust.

ARTICLE 7

GENERAL PROVISIONS

7.1 Irrevocability. The ERG Plan Trust is irrevocable.

7.2 Termination.

(a) The ERG Plan Trust will terminate as soon as practicable, but not later than the fifth (5th) anniversary of the Effective Date; provided, that, within six months prior to the fifth (5th) anniversary of the effective date (or such later date as may be permitted by order of the Bankruptcy Court), the Bankruptcy Court, on motion by a party in interest, may extend the term of the ERG Plan Trust for a finite period, if such extension is necessary to liquidate or otherwise reduce to Cash the ERG Plan Trust Property or for other good cause. Multiple extensions of the termination of the ERG Plan Trust may be obtained so long as Bankruptcy Court approval is obtained prior to the expiration of each extended term and the Plan Trustee receives an opinion of counsel or a favorable ruling from the IRS that any further extension would not adversely affect the status of the ERG Plan Trust as a disputed ownership fund for federal income tax purposes.

(b) On the Termination Date, after payment of all the ERG Plan Trust's liabilities have been provided for, all Cash remaining in the ERG Plan Trust estate, if any, shall be distributed to the holders of ERG Plan Trust Beneficial Interests in accordance with the Distribution Procedures.

7.3 Amendments. The Plan Trustee, only after consultation with and with the approval of the Prepetition Agent, the Prepetition Lenders, the Exit Facility Agent, and the Exit Facility Lenders, may modify or amend this Declaration or any document annexed to it; provided that such amendment must be consistent with the Plan Trustee's fiduciary duties to the ERG Plan Trust; and provided further that any modification or amendment made pursuant to this Section 7.3 must be done in writing and filed with the Bankruptcy Court; and provided further that neither this Declaration nor any document annexed hereto shall be modified or amended in any

way that could jeopardize, impair, or modify the treatment of the ERG Plan Trust as a “liquidating trust” for federal income tax purposes. Notwithstanding anything else set forth herein, Section 7.4 of this Declaration may not be amended absent order of the Bankruptcy Court.

7.4 Declaration Subject to the Plan. Notwithstanding anything else herein contained, to the extent any provision of this Declaration is inconsistent with any provision of the Plan, the Plan shall control.

7.5 Severability. Should any provision in this Declaration be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Declaration.

7.6 Notices and Distribution Addresses. Notices and distributions the holder of an ERG Plan Trust Beneficial Interest shall be given and made (a) at the address of such Beneficiary as it appears in the books and records of the Debtors as of the Effective Date; or else (b) if a different notice address appears on the Beneficiary’s proof of claim filed in the Chapter 11 Cases (if any), at such address; or else (c) to such other address or addresses as may hereafter be furnished to the Plan Trustee by such Beneficiary.

Any notices or other communications to the ERG Plan Trust, the Plan Trustee, or the Debtors required or permitted hereunder shall be in writing and delivered at the addresses designated below, or sent facsimile confirmed by telephone, pursuant to the instructions listed below, or mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as set forth below, or to such other address or addresses as may hereafter be furnished by any of the ERG Plan Trust, the Plan Trustee, or the Debtors:

To the ERG Plan Trust and/or the Plan Trustee:

[address]

To the Debtors:

[address]

To the Prepetition Agent

[address]

To the Prepetition Lenders

[address]

To the Exit Facility Agent

[address]

To the Exit Facility Lenders

[address]

All such notices and communications if mailed shall be effective when physically delivered at the designated addresses or, if electronically transmitted, when the communication is received at the designated addresses and confirmed by the recipient by return electronic transmission.

7.7 Successors and Assigns. The provisions of this Declaration shall be binding upon and inure to the benefit of the holders of ERG Plan Trust Beneficial Interests, the ERG Plan Trust, and the Plan Trustee, and each of their respective successors and assigns, except that none of the holders of ERG Plan Trust Beneficial Interests, the ERG Plan Trust, nor the Plan Trustee may assign or otherwise transfer any of its, his or her rights or obligations under this Declaration except, in the case of the ERG Plan Trust and the Plan Trustee, as contemplated by Section 2.1 hereof.

7.8 Entire Agreement; No Waiver. The entire agreement of the parties relating to the subject matter of this Declaration is contained herein and in the documents referred to herein, and this Declaration and such documents supersede any prior oral or written agreements concerning the subject matter hereof. No failure to exercise or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of rights under law or in equity.

7.9 Headings. The headings used in this Declaration are inserted for convenience only and do not constitute a portion of this Declaration, nor in any manner affect the construction of the provisions of this Declaration.

7.10 Governing Law. This Declaration shall be governed by, and construed in accordance with, the laws of the State of California without regard to the conflict of laws principles thereof. The ERG Plan Trust is subject to the continuing jurisdiction of the Bankruptcy Court.

7.11 Dispute Resolution. Any disputes that arise under this Declaration or under any annexes hereto shall be resolved by the Bankruptcy Court or any other court of competent jurisdiction pursuant to the Plan, except as otherwise provided herein or in the annexes hereto.

7.12 Enforcement and Administration. The provisions of this Declaration and the annexes hereto shall be enforced by the Bankruptcy Court or any other court of competent jurisdiction pursuant to the Plan. The parties hereby further acknowledge and agree that the Bankruptcy Court shall have jurisdiction over the settlement of the accounts of the Plan Trustee.

7.13 Effectiveness. This Declaration shall not become effective until it has been executed and delivered by all the parties hereto and the Effective Date has occurred.

7.14 Counterpart Signatures. This Declaration may be executed in any number of counterparts, each of which shall constitute an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Declaration this ____ day of September, 2015.

ERG INTERMEDIATE HOLDINGS LLC

By: _____
R. Kelly Plato,
Authorized Representative

TRUSTEE OF THE ERG PLAN TRUST

[●], Plan Trustee

EXHIBIT D

Exit Facility Loan Documents

TK Draft 9/17/2015

**REVOLVING CREDIT AGREEMENT
(EXIT FACILITY)**

ERG RESOURCES, L.L.C.,
as Company

CLMG CORP.,
as Administrative Agent

and

CERTAIN LENDERS

Senior Secured Credit Facility

[____], 2015

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Exhibit L	Form of Approval Letter

REVOLVING CREDIT AGREEMENT
(EXIT FACILITY)

THIS REVOLVING CREDIT AGREEMENT is made as of [_____], 2015 by and among ERG RESOURCES, L.L.C., a Texas limited liability company ("Company"), CLMG CORP., a Texas corporation, as administrative agent (together with its successors in such capacity, the "Administrative Agent"), and the Lenders referred to below.

RECITALS:

WHEREAS, on April 30, 2015 (the "Petition Date"), the Credit Parties each filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the "Bankruptcy Court") (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the "Chapter 11 Case"), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

WHEREAS, the Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the "DIP Credit Agreement"), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

WHEREAS, pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the "Confirmation Order"), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the "Plan of Reorganization");

WHEREAS, in connection with the Plan of Reorganization, Company, Administrative Agent and Lenders desire to enter into this Revolving Credit Agreement to evidence Lenders' agreement to extend commercial Loans to Company, the proceeds of which will be used as provided in Section 2.4; and

WHEREAS, capitalized terms used but not defined in these Recitals shall have the respective meanings set forth for such terms in Section 1.1;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and the commercial Loans to be made by Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

“ABP” or “Approved Business Plan” means Company’s written business plan and operating budget, which will describe (a) budgeted costs not constituting APOD Capital Expenditures, including budgeted ABP LOE, ABP Overhead Costs, ABP Transportation Costs and ABP Workover Expenditures, (b) forecasted volumes of oil and gas production from the Mortgaged Properties, and (c) the amount of budgeted working capital to be retained by the Credit Parties, in each case as described in the ABP Certificate given on or about the Closing Date, as such plan and budget are amended, supplemented or restated from time to time with the consent of Administrative Agent (given or withheld in its discretion), on behalf of Required Lenders, as evidenced by one or more additional ABP Certificates.

“ABP Certificate” means a certificate in the form of Exhibit F-1 given from time to time by Administrative Agent, on behalf of Required Lenders, and by Company to confirm that the document or documents attached thereto set out the ABP as then in effect.

“ABP LOE” means (a) leasehold operating expenses paid in the ordinary course of business (including overhead allocations paid to unaffiliated operators in the ordinary course of business under joint operating agreements), and (b) other field level or lease level charges for operations on the Mortgaged Properties (excluding ABP Workover Expenditures, APOD Capital Expenditures and other capital expenditures), in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Overhead Costs” means (a) the general and administrative expenses of the Credit Parties and (b) other overhead costs of the Credit Parties, in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved as ABP Overhead Costs by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Transportation Costs” means (a) the actual costs of gathering, processing, compressing, and transporting production from the Mortgaged Properties from the wellhead to the point of sale, provided that all such costs are negotiated with, and paid to, third parties in arms-length transactions on terms that are reasonable in the area of operations for the quality and quantity of such production for the time period negotiated, at the time such prices are agreed to, or (b) other transportation or marketing costs, in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Workover Expenditures” means capital expenditures made or to be made by Company on the Mortgaged Properties in connection with operations to restore or increase production on a producing well, to the extent the same either (a) are included in the Approved Business Plan or the Approved Plan of Development, as then in effect, or (b) have been approved as ABP Workover Expenditures by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABR” means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively. Notwithstanding the foregoing, at no time shall the ABR be deemed to be less than 3.00%.

“Adjusted Consolidated EBITDAX” means, for any four Fiscal Quarter period, Consolidated EBITDAX for such period adjusted on a pro forma basis to give effect to any acquisition or divestiture of any Person or business unit of a Person that was made by Company or any other Grantor during such period as if such transactions had occurred on the first day of such period, regardless of whether the effect is positive or negative.

“Administrative Agent” has the meaning given to such term in the preamble hereto.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by Administrative Agent.

“Affiliate” means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power:

(a) to vote 10% or more of the securities or other Equity (on a fully diluted basis) having ordinary voting power for the election of directors, the managing general partner or partners or the managing member or members; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Aggregate Commitment” means the Commitments of all the Lenders.

“Agreed Pricing” means:

(a) for anticipated sales of Hydrocarbons that are fixed in a firm fixed price sales contract with an Approved Counterparty, the fixed price or prices provided for in such sales contract during the term thereof;

(b) for anticipated sales of Hydrocarbons that are hedged by a fixed price Hedging Contract with an Approved Counterparty, the fixed price or prices provided for in such Hedging

Contract during the term thereof, as modified by any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials;

(c) for anticipated sales of Hydrocarbons that are hedged by a Hedging Contract with an Approved Counterparty which Hedging Contract provides for a range of prices between a floor and a ceiling, the prices provided for in subsection (d) below, provided that during the term of such Hedging Contract such prices shall in no event be less than such floor or exceed such ceiling, as such floor and ceiling are modified by any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials; and

(d) for anticipated sales of Hydrocarbons, if such sales are not hedged by a Hedging Contract or fixed by a sales contract that is described in paragraphs (a), (b), or (c) above, the lesser of (x) \$3.00 per MMBtu of gas (NYMEX Henry Hub) or \$90.00 per barrel of oil (ICE Brent) and (y) one hundred percent (100%) of the average Strip Pricing for the five-year period commencing as of the date of calculation (or, if such date is not a Business Day, as of the first Business Day thereafter) and with any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials.

Notwithstanding the preceding provisions of this definition, Agreed Pricing for natural gas liquids will be an amount equal to the lesser of (i) 40% of the applicable Agreed Price determined above per barrel of oil (using a conversion ratio of 42 gallons to 1 barrel) and (ii) the Company's actual realized pricing for natural gas liquids for the most recently ended Fiscal Quarter.

"Agreement" means this Revolving Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"APOD Capital Expenditures" means capital expenditures (excluding ABP Workover Expenditures) made or to be made by Company on the Mortgaged Properties, to the extent the same either (a) are included in the Approved Plan of Development, as then in effect, or (b) have been approved as APOD Capital Expenditures by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

"APOD Certificate" means a certificate in the form of Exhibit F-2 given on or prior to the Closing Date and, thereafter from time to time by Company, with the consent of Required Lenders, to confirm that the document or documents attached thereto set out the APOD as then in effect.

"Applicable Margin" means 3.50% per annum; provided that, notwithstanding anything to the contrary contained herein, at any time that interest on any amount is accruing at the Default Rate, the Applicable Margin with respect to such amount shall be a rate per annum equal to 5.50%.

"Applicable Percentage" means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitment represented by such Lender's Commitment at such time. If the commitment of each Lender to make Loans has been terminated pursuant to Section 8.1 or if the Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such

Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on the Lenders Schedule or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Approval Letter” means a letter given by Administrative Agent on behalf of Required Lenders in the form of Exhibit L.

“Approved Counterparty” means, with respect to any Hedging Contract, a counterparty to such Hedging Contract that is approved in writing by Administrative Agent in its discretion.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Approved Plan of Development” or “APOD” means Company’s written plan of development with respect to budgeted capital expenditures (including maximum annual expenditures) and other development activities that is attached to the APOD Certificate given on or about the Closing Date, as such plan is amended, supplemented or restated from time to time with the consent of Required Lenders (given or withheld in their discretion) as evidenced by one or more additional APOD Certificates.

“Assignment and Assumption Agreement” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.6), and accepted by Administrative Agent, in substantially the form of Exhibit K or any other form approved by Administrative Agent in its discretion.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy” and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally including, for the avoidance of doubt, corporate legislation.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrowing” means a Loan or group of Loans (a) made or to be made at the same time by Lenders pursuant to Section 2.3 or (b) deemed made at the same time by Lenders pursuant to Section 2.5(b).

“Borrowing Notice” has the meaning given to such term in Section 2.3.

“Business Day” means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Dallas, Texas and New York, New York.

“Capital Lease” means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“Capital Lease Obligation” means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease that should, in accordance with GAAP, appear as a liability on the balance sheet of such Person.

“Cash Equivalents” means Investments in:

(a) marketable obligations, maturing on average not more than twelve months after acquisition thereof, issued or unconditionally guaranteed or insured by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits, and time deposits with, or insured certificates of deposit or bankers’ acceptances of, any commercial bank that (i) is a Lender or (ii) (A) is organized under the Laws of the United States, any state thereof, the District of Columbia or any member nation of the Organization for Economic Cooperation and Development or is the principal banking Subsidiary of a bank holding company organized under the Laws of the United States, any state thereof, the District of Columbia or any member nation of the Organization for Economic Cooperation and Development, and is a member of the Federal Reserve System, (B) has combined capital and surplus of at least \$500,000,000 or (C) whose long-term certificates of deposit are rated at least Aa3 by Moody’s or AA- by S&P (any such bank in the foregoing clauses (i) or (ii) being an “Approved Bank”), in each case with maturities not exceeding 12 months from the date of acquisition thereof; and

(c) Dollars.

“Cash Interest Payment” means, for each Payment Date, any full or partial payment of interest then accrued on the Loans made with Gross Cash Receipts on deposit in the Collateral Account in accordance with Section 2.6(a).

“Casualty Event” means any loss, casualty or other damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Collateral of Company or any of its Subsidiaries.

“Change of Control” means the occurrence of any of the following events:

(a) [] shall resign, be removed, or otherwise cease to be the Trustee, with the power to direct or cause the direction of management or policies of Company, and a replacement acceptable to Administrative Agent is not appointed within 20 Business Days of such resignation, removal or cessation,

(b) Trust shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in Parent,

(c) Parent shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in Company,

(d) [] shall for any reason cease to serve as the chief executive officer of Company and is not replaced within 20 Business Days thereafter by a new chief executive officer acceptable to Administrative Agent,

(e) Company shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in each of its Subsidiaries, or

(f) the occurrence of any “Change of Control” as such term is defined in the Second Lien Credit Agreement.

“Closing Date” means the date on which all of the conditions precedent set forth in Section 4.1 shall have been satisfied or waived in accordance with Section 10.1.

“Collateral” means (i) all assets or property of any kind of any Grantor, including all property of any kind that is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or that, under the terms of any Security Document, is purported to be subject to such a Lien, in each case that secures the Secured Obligations, (ii) all issued and outstanding Equity in Company, and (iii) the proceeds thereof.

“Collateral Account” means deposit account number 9787489084 established in the name of Company with the Collateral Account Bank, or such other Deposit Account as may be established by Company from time to time with the prior written consent of Administrative Agent, which consent may be given or withheld in its discretion.

“Collateral Account Agreement” means all documents or agreements governing or evidencing the Collateral Account.

“Collateral Account Bank” means CitiBank, N.A., or any successor bank at which the Collateral Account is maintained.

“Collateral Sharing Agreement” means an intercreditor and collateral sharing agreement by and among an Approved Counterparty, Administrative Agent and the applicable Credit Parties, in form, scope and substance satisfactory to Administrative Agent in its discretion.

“Commitment” means, as to each Lender, the obligation of such Lender to make Loans to Company pursuant to Section 2.1 in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on the Lenders Schedule under the heading “Commitment” or in the Assignment and Assumption Agreement pursuant to which such Lender becomes a party hereto, as applicable, and “Commitments” shall mean the aggregate Commitments of all of the Lenders.

“Commitment Period” means the period of time commencing on the Closing Date and ending on the Commitment Termination Date.

“Commitment Termination Date” means the date that is 30 days prior to the Maturity Date (or, if earlier, the day on which the obligations of Lenders to make Loans hereunder have been terminated or the Notes first become due and payable in full).

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute, or any rule, regulation or order of the U.S. Commodity Futures Trading Commission (or the application or official interpretation of any thereof).

“Company” has the meaning given to such term in the preamble hereto.

“Compliance Certificate” has the meaning given to such term in Section 6.2(c).

“Confirmation Order” has the meaning given to such term in the Recitals hereto.

“Consolidated” refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person’s Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

“Consolidated EBITDAX” means, for any period (without duplication), the sum of (1) Consolidated Net Income during such period (excluding extraordinary gains and losses, but including any gains or losses associated with any Disposition of assets), plus (2) all interest paid or accrued during such period on Indebtedness (including amortization of original issue discount and the interest component of any deferred payment obligations and Capital Lease Obligations) that was deducted in determining such Consolidated Net Income, plus (3) all income taxes that were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs), depletion, and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP and including those resulting from the requirements of ASC Topic 815, formerly FAS 133, ASC Topic 410, formerly FAS 143 or ASC Topic 360, formerly FAS 144) that were deducted in determining such Consolidated Net Income, plus (5) exploration expenses, provided and for so long as Company uses the successful efforts method of accounting (as prescribed in Regulation S-X) for its Oil and Gas Properties, minus (6) all non-cash gains and losses that were included in determining such Consolidated Net Income.

“Consolidated Interest Charges” means, for any period, all interest paid or accrued during such period on Indebtedness (including premium payments, capitalized interest, amortization of original issue discount, and the interest component of any deferred payment obligations and Capital Lease Obligations) that was deducted in determining Consolidated Net Income during such period.

“Consolidated Net Income” means, for any period, Company’s and the other Grantors’ gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Company’s and the other Grantors’ expenses and other proper charges against income (including taxes on income, to the extent imposed), determined on a Consolidated basis, after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person (other than a Grantor) in which Company or any Grantor has an ownership interest except to the extent of the

amount of cash dividends or distributions actually paid during such period by such Person to Company or such Grantor.

“Credit Parties” means, collectively, Company and each Guarantor, and “Credit Party” means any of them.

“Default” means any Event of Default and any default, event or condition that would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

“Default Rate” means the rate per annum equal to two percent (2%) above the rate that would otherwise be applicable to the Loans, provided that no Default Rate charged by any Person shall ever exceed the Highest Lawful Rate.

“Deposit Account” means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization (other than an account evidenced by a negotiable certificate of deposit), and any other deposit account, as defined in the UCC.

“Direct Taxes” means any severance, ad valorem, or other direct taxes on properties owned by any Credit Party or the production therefrom or the proceeds of such production; provided that federal, state, or local income or franchise taxes shall in no event be considered Direct Taxes.

“Disclosure Schedule” means Schedule 1 hereto.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction and the expiration or termination of any oil and gas lease) of any property by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Distribution” means (a) any dividend or other distribution made by a Credit Party on or in respect of any Equity in such Credit Party or any other Credit Party, or (b) any payment made by a Credit Party to purchase, redeem, acquire or retire any Equity in such Credit Party or any other Credit Party.

“Dollars” and “\$” means dollars in lawful currency of the United States.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person), approved by Administrative Agent (which approval will not be unreasonably withheld or delayed); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include Company or any of Company’s Affiliates or Subsidiaries.

“Eligible Contract Participant” means, with respect to any Swap, a Person that is an “eligible contract participant”, as defined in the Commodity Exchange Act, with respect to such Swap.

“Engineering Report” means the Initial Engineering Report and each other engineering report delivered pursuant to Section 6.2(l), in each case as audited and adjusted by the Independent Lender Engineer.

“Environmental Advisor” means Environmental Resources Management.

“Environmental Laws” means any and all Laws relating to the environment, occupational health and safety, or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, including the Clean Air Act, 42 U.S.C. §7401 et seq., the Clean Water Act 33 U.S.C. §1251 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., the Emergency Planning and Community Right-to-know Act, 42 U.S.C. §11001 et seq., the Safe Drinking Water Act, 42 U.S.C. §300f et seq., and the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq. together with any corresponding or similar state laws, and any regulations promulgated thereunder, or any amendments thereof.

“Equity” in a Person means any share of capital stock issued by such Person, any general or limited partnership interest, profits interest, capital interest, membership interest, or other equity interest in such Person, any option, warrant or any other right to acquire any share of capital stock or any partnership, profits, capital, membership or other equity interest in such Person, and any other voting security issued by such Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statutes or statute, together with all rules and regulations promulgated with respect thereto.

“ERISA Affiliate” means each Credit Party and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Credit Party, are (or were at any time in the past six years) treated as a single employer under Section 414 of the Internal Revenue Code.

“ERISA Plan” means any “employee pension benefit plan” as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) that is subject to Title IV of ERISA or Section 412 of the Internal Revenue Code and maintained, contributed to or required to be contributed to by any ERISA Affiliate and with respect to which any Credit Party has a fixed or contingent liability.

“ERISA Plan Funding Rules” means the rules in the Internal Revenue Code and ERISA (and related regulations and other guidance) regarding minimum funding standards and minimum required contributions to ERISA Plans as set forth in Sections 412, 430 and 436 of the Internal Revenue Code and Sections 302 and 303 of ERISA.

“Event of Default” has the meaning given to such term in Section 8.1.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the guaranty by such Guarantor of, or the grant by such Guarantor of a security interest or lien to secure, or the provision by such Guarantor of other support of, such Swap Obligation is or becomes illegal under the Commodity Exchange Act by virtue of such party’s failure for any reason to constitute an Eligible Contract Participant at the time such guaranty, grant of security interest or lien or provision of support of, such Swap Obligation becomes effective. If a Swap Obligation arises under a master agreement governing more than one Swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swaps for which such guaranty, grant of security interest or lien to secure or provision of other support is or becomes illegal.

“FATCA” means Sections 1471 through 1474 of the Internal Revenue Code (and any comparable successor provisions), any current or future regulations or official interpretation thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by CLMG Corp. from three federal funds brokers of recognized standing selected by it.

“Fiscal Quarter” means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

“Fiscal Year” means a twelve-month period ending on December 31 of any year or such other twelve-month period acceptable to Administrative Agent in its reasonable discretion.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“GAAP” means those generally accepted accounting principles and practices that are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and that, in the case of Company and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a consistent manner. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Company and its Consolidated Subsidiaries, may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender and Company, Required Lenders and

Administrative Agent agree to such change insofar as it affects such calculations and determinations.

“Governmental Authority” means any federal, state, provincial, municipal, national, tribal, Indian nation, or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, an Indian nation, or a foreign entity or government.

“Grantors” means, collectively, Parent, Company and each Subsidiary of Company, and “Grantor” means any of them.

“Gross Cash Receipts” means all cash revenues and cash receipts of Company and the Credit Parties during any Fiscal Quarter from any source or activity (excluding only funds belonging to or received for the credit of third parties, such as royalty, suspense funds, working interest or other interest owners, that are received for transfer or payment to such third parties).

“Guarantors” means, collectively, Parent and each Subsidiary of Company, and “Guarantor” means any of them.

“Guaranty” means an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Company hereunder, substantially in the form of Exhibit I-1.

“Hazardous Materials” means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise, including any petroleum or petroleum-derived substances or wastes.

“Hedging Contract” means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices (including basis risk), equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

“Highest Lawful Rate” means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party (but shall take into account all Obligations owing to such Lender Party) as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the maximum rate or amount of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations.

“Hydrocarbon Interests” means (a) all oil, gas and/or mineral leases, oil, gas or mineral properties, mineral servitudes and/or mineral rights of any kind (including mineral fee interests, lease interests, farmout interests, overriding royalty and royalty interests, net profits interests, oil

payment interests, production payment interests and other types of mineral interests), and (b) all oil and gas gathering, treating, compression, storage, processing and handling assets of any kind, including all pipelines, wells, wellhead equipment, pumping units, flowlines, tanks, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, processing plants, and other related equipment of any kind.

“Hydrocarbons” means crude oil, natural gas, condensate, or other liquid or gaseous hydrocarbons.

“Indebtedness” of any Person means Liabilities in any of the following categories:

- (a) Liabilities for borrowed money;
- (b) Liabilities constituting an obligation to pay the deferred purchase price of property or services;
- (c) Liabilities evidenced by a bond, debenture, note or similar instrument;
- (d) Liabilities that (i) would under GAAP be shown on such Person’s balance sheet as a liability, and (ii) are payable more than one year from the date of creation or incurrence thereof (other than reserves for taxes and reserves for contingent obligations);
- (e) Capital Lease Obligations;
- (f) Liabilities arising under conditional sales or other title retention agreements;
- (g) Liabilities owing under direct or indirect guaranties of Indebtedness of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Indebtedness of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection;
- (h) Indebtedness of others that is secured by a Lien on any asset of such Person, regardless of whether such Indebtedness has been assumed by such Person or is otherwise a Liability of such Person;
- (i) Liabilities (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements) consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arise out of or in connection with the sale or issuance of the same or similar securities or property;
- (j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor or with respect to banker’s acceptances;
- (k) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under “take-or-pay” contracts to deliver gas in return for payments already received and the

undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment); or

(l) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor;

provided however, that the “Indebtedness” of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 90 days past the incurrence thereof.

“Indemnatee” means each Lender Party, each Royalty Owner, and each director, officer, agent, trustee, attorney, employee, representative and Affiliate of or for any such Person.

“Independent Company Engineer” means Netherland, Sewell & Associates, Inc. or any nationally recognized independent petroleum engineering company that is designated by Company with the consent of Administrative Agent.

“Independent Lender Engineer” means Cawley Gillespie and Associates, Inc. or any other nationally recognized independent petroleum engineering company that is retained by Administrative Agent in its reasonable discretion.

“Initial Engineering Report” means the reserve engineering report with respect to the Oil and Gas Properties prepared as of September 30, 2015 by the Independent Company Engineer.

“Initial Financial Statements” means (a) Company’s audited Consolidated annual financial statements as of December 31, 2014 and (b) Company’s unaudited quarterly Consolidated financial statements as of June 30, 2015.

“Insurance Advisor” means EnRisk Services, Inc. or another reputable insurance advisor reasonably acceptable to the Required Lenders.

“Insurance Schedule” means Schedule 3 hereto.

“Intercreditor Agreement” has the meaning given to such term in Section 10.15.

“Interest Coverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of (a) Adjusted Consolidated EBITDAX for the four Fiscal Quarter period ending on such date to (b) Consolidated Interest Charges for such period.

“Internal Revenue Code” means the United States Internal Revenue Code of 1986, as amended from time to time and any successor statute or statutes, together with all rules and regulations promulgated with respect thereto.

“Investment” means any investment, made directly or indirectly, in any Person, whether by purchase or acquisition of Equity, Indebtedness or other obligations or securities or by extension of credit, loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means.

“Law” means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state, province or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof. Any reference to a Law includes any amendment or modification to such Law, and all regulations, rulings, and other Laws promulgated under such Law.

“Lender Parties” means Administrative Agent and all Lenders.

“Lenders” means LNV Corporation, any other financial institution party to this Agreement as a “Lender” and their respective successors and assigns as holders of Notes.

“Lenders Schedule” means Schedule 4 hereto.

“Leverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of (a) Total Funded Debt as of the end of such Fiscal Quarter to (b) Adjusted Consolidated EBITDAX for the four Fiscal Quarter period ending on such date.

“Liabilities” means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

“Lien” means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor that provides for the payment of such Liabilities out of such property or assets or that allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic’s or materialman’s lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset that arises without agreement in the ordinary course of business. “Lien” also means any filed financing statement, any registration of a pledge (such as with a lender of uncertificated securities), or any other arrangement or action that would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

“Loan Documents” means this Agreement, the Notes, the Guaranty, the Security Documents, the Royalty Conveyances, each Collateral Sharing Agreement, the Intercreditor Agreement and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of the application for commercial loan, term sheets, and commitment letters).

“Loans” has the meaning given to such term in Section 2.1.

“Material Adverse Change” means a material and adverse change, from the state of affairs presented in the Plan of Reorganization or the Initial Engineering Report, to

(a) Company's Consolidated financial condition, (b) Company's Consolidated business, assets, operations, prospects or properties, considered as a whole, (c) Company's ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

"Material Contract" means, with respect to any Person, each contract to which such Person is a party involving aggregate consideration payable to or by such Person of \$250,000 or more in any Fiscal Year or otherwise material to the business, condition (financial or otherwise), operations, performance, properties or prospects of such Person. When used in reference to the Credit Parties, such term shall (i) exclude the Loan Documents but include the Second Lien Loan Documents, and (ii) include any contract operating agreement entered into by a Credit Party in connection with the Plan of Reorganization.

"Maturity Date" means [____], 2018¹ or such earlier date as the Obligations have become due as provided herein.

"Measure P" means the Santa Barbara County, California ballot initiative to ban "High-Intensity Petroleum Operations" including but not limited to well stimulation treatments and secondary and enhanced recovery operations such as hydraulic fracturing, steam injection and acid well stimulation treatment on all lands within Santa Barbara County's unincorporated area.

"Modified NPV10" means:

- (a) with respect to any Proved Developed Producing Reserves attributable to the Mortgaged Properties, 95% of the NPV10 of such Reserves;
- (b) with respect to any Proved Developed Nonproducing Reserves attributable to the Mortgaged Properties, 75% of the NPV10 of such Reserves; and
- (c) with respect to any Proved Undeveloped Reserves attributable to the Mortgaged Properties, 50% of the NPV10 of such Reserves;

provided, however, that the Modified NPV10 for any particular Proved Developed Nonproducing Reserves or Proved Undeveloped Reserves shall be zero unless (x) capital expenditures in excess of the APOD Capital Expenditures for the development of such Reserves, in at least the amounts required pursuant to the most recent Engineering Report, have been approved by Lender Parties in their discretion, (y) such capital is reasonably expected to be available to the applicable Credit Party, and (z) the applicable Credit Party has (or is reasonably expected to have) all licenses, permits, and authorizations necessary or required in order to develop, operate, and produce such Proved Developed Nonproducing Reserves or Proved Undeveloped Reserves, as the case may be.

"Moody's" means Moody's Investors Service, Inc., or its successor.

"Mortgage" means each deed of trust or mortgage from time to time given by Company or any other Grantor to secure any of the Obligations, as each may be amended, supplemented or otherwise modified from time to time.

¹ NTD: To be three years from the Closing Date.

“Mortgaged Properties” means, collectively, those Oil and Gas Properties that are owned by a Grantor and mortgaged to Administrative Agent to secure the Obligations.

“Multiemployer Plan” means any plan within the meaning of Section 4001(a)(3) of ERISA.

“Note” has the meaning given to such term in Section 2.2.

“NPV10” means, with respect to any Proved Reserves expected to be produced from the Mortgaged Properties, the net present value of the future net revenues expected to accrue to the Credit Parties’ net interests in such Proved Reserves during the remaining expected economic lives of such Proved Reserves, discounted at 10% per annum. Each calculation of such expected future net revenues shall be made as of the date requested in accordance with the then existing standards of the Society of Petroleum Engineers and Society of Petroleum Evaluation Engineers, provided that in any event:

(a) appropriate deductions shall be made for (i) Direct Taxes and existing burdens that are Permitted Liens, (ii) leasehold operating expenses, (iii) losses from and expenses of gathering, compression, treating, processing, transportation, and marketing, (iv) capital expenditures included in the Approved Plan of Development or otherwise approved in writing by Administrative Agent on behalf of Required Lenders (including plugging and abandonment costs and capital expenditures for any additional steam generation, processing plant capacity and treatment facilities that will be required in order for such Reserves to be produced and sold), and (v) the purchase price of emission credits;

(b) the pricing assumptions used in determining NPV10 for any particular Proved Reserves shall be the Agreed Pricing; and

(c) leasehold operating expenses and capital expenditures in the most recently delivered Engineering Report will be escalated at the then current inflation rate.

NPV10 shall be calculated hereunder in connection with each Engineering Report, either by Company, by Administrative Agent, or by the engineering firm who prepares such Engineering Report; in the event of any conflict, Administrative Agent’s calculation shall be conclusive and final, absent manifest error.

“Obligations” means all Liabilities from time to time owing by any Credit Party to any Lender Party or Indemnitee under or pursuant to any of the Loan Documents. “Obligation” means any part of the Obligations.

“OFAC” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Oil and Gas Properties” means all Hydrocarbon Interests that are, at the time in question, owned by any of the Credit Parties.

“Parent” means ERG Intermediate Holdings, LLC, a Texas limited liability company.

“Participant” has the meaning given to such term in Section 10.6(d).

“Participant Register” has the meaning given to such term in Section 10.6(d).

“Payment Date” means, as to any Loan, (a) the last Business Day of each calendar month to occur while such Loan is outstanding and (b) the Maturity Date.

“PBGC” means the Pension Benefit Guaranty Corporation.

“PDP Collateral Coverage Ratio” means the ratio of (a) the Modified NPV10 with respect to all Proved Developed Producing Reserves attributable to the Mortgaged Properties, to (b) Total Funded Debt. In calculating the PDP Collateral Coverage Ratio with respect to any date, such Modified NPV10 shall be derived from the Engineering Report prepared as of such date, and Total Funded Debt shall be calculated as of such date after giving effect to any borrowings or repayments made on such date.

“Permitted Investments” means:

- (a) Cash Equivalents; and
- (b) normal and prudent extensions of credit by the Credit Parties to their customers for buying goods and services in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner and in no event shall the payment terms therefor exceed 60 days after the delivery of such goods or the rendition of such services.

“Permitted Liens” means:

- (a) statutory Liens for taxes, assessments or other governmental charges or levies that are not yet delinquent or that are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;
- (b) landlords’, operators’, carriers’, warehousemen’s, repairmen’s, mechanics’, materialmen’s, or other like Liens that do not secure Indebtedness, in each case only to the extent arising in the ordinary course of business and only to the extent securing obligations that are not delinquent or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP;
- (c) Liens in connection with workers’ compensation, unemployment insurance or other social security or old age pension obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;
- (d) minor defects and irregularities in title to any property, so long as such defects and irregularities neither secure Indebtedness nor materially impair the value of such property or the use of such property for the purposes for which such property is held;

(e) deposits of cash or securities to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature (excluding Indebtedness or appeal bonds) incurred in the ordinary course of business and not constituting Indebtedness;

(f) Liens under the Security Documents;

(g) with respect only to property subject to any particular Security Document, additional Liens burdening such property that are expressly allowed by such Security Document;

(h) (i) Liens on fixed or capital assets acquired, constructed or improved by Company; provided, that (A) such Liens secure Indebtedness permitted under Section 7.1(c), (B) such Liens and the Indebtedness secured thereby are incurred substantially simultaneously with the acquisition, construction or improvement of such fixed or capital assets or within 180 days thereafter, (C) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, and (D) the amount of Indebtedness secured thereby is not more than 100% of the purchase price, and (ii) Liens in the nature of precautionary financing statements filed against leased property by lessors in the ordinary course of business; and

(i) Liens created under the Second Lien Security Documents to secure the obligations contemplated by the Second Lien Loan Documents or any Permitted Refinancing thereof, in each case, subject to the terms of the Intercreditor Agreement.

“Permitted Refinancing” means any refinancing, renewal or extension of Permitted Second Lien Debt (in this definition, “Existing Indebtedness”), provided that:

(a) the amount of such Existing Indebtedness is not increased at the time of such refinancing, renewal or extension except by an amount equal to all accrued and unpaid interest thereon, plus a reasonable premium or other reasonable amount paid, and fees, original issue discount and expenses reasonably incurred, in connection with such refinancing, renewal, or extension;

(b) no scheduled payment of principal, scheduled mandatory redemption or scheduled sinking fund payment of such refinanced, renewed, or extended Indebtedness is due on or before the date that is 180 days after the Maturity Date in effect on the date on which such Indebtedness is issued;

(c) the financial covenants of the refinanced, renewed, or extended Indebtedness are no more restrictive with respect to the Credit Parties than the financial covenants under this Agreement and all of the covenants and events of default governing such refinanced, renewed, or extended Indebtedness are not, taken as a whole, materially more restrictive with respect to the Credit Parties than the covenants and Events of Default under this Agreement;

(d) no Default or Event of Default exists on the date of issuance of such refinanced, renewed, or extended Indebtedness or will occur as a result of the issuance of such Indebtedness;

(e) such Indebtedness is not guaranteed by any Person which is not a Guarantor of all of the Obligations (excluding any Excluded Swap Obligations with respect to such Guarantor); and

(f) Company shall have delivered to Administrative Agent a certificate in reasonable detail reflecting compliance with the foregoing requirements.

“Permitted Second Lien Debt” has the meaning given to such term in Section 7.1(e).

“Person” means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof; estate or executor thereof, Governmental Authority, or any other legally recognizable entity.

“Plan” means any employee benefit plan (as defined in Section 3(3) of ERISA) established by a Credit Party. “Plan” shall exclude any Multiemployer Plan and include any ERISA Plan.

“Plan Documents” has the meaning set forth in the Plan of Reorganization.

“Plan of Reorganization” means the Plan of Reorganization described in the Recitals hereto, as amended in any manner acceptable to the Administrative Agent and the Required Lenders in their sole and absolute discretion.

“Potential Default” means the occurrence of any condition, act, or event which, in either the business judgment of Company or the judgment of Administrative Agent (acting in its discretion), could become a Default. For purposes of any notice obligation of Company under this Agreement or any other Loan Document with respect to the existence of a Potential Default, Company shall not be deemed to have knowledge or notice of any condition, act, or event that, in the judgment of Administrative Agent, is a Potential Default, unless Administrative Agent shall have notified Company of such Potential Default prior to the date any such notice is to be given.

“Prepayment Notice” means a Prepayment Notice in the form of Exhibit D.

“Prime Rate” means, (a) for any day that is a Business Day, the “prime rate” as quoted in the print edition of The Wall Street Journal in the “Money Rates” section for such day (currently defined as the base rate on corporate loans posted by at least 75% of the nation’s thirty (30) largest banks), and (b) for any day other than a Business Day, the “prime rate” as quoted in the print edition of The Wall Street Journal in the “Money Rates” section for the immediately preceding Business Day. In the event that the “prime rate” ceases to be quoted in The Wall Street Journal, the “Prime Rate” for the purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying such prime interest rate that is selected by Administrative Agent.

“Proved Collateral Coverage Ratio” means the ratio of (i) the Modified NPV10 with respect to all Proved Reserves attributable to the Mortgaged Properties, to (ii) Total Funded Debt outstanding at such time. In calculating the Proved Collateral Coverage Ratio with respect to any date, such Modified NPV10 shall be derived from the Engineering Report prepared as of such date, and Total Funded Debt shall be calculated as of such date after giving effect to any Borrowing or repayments made on such date.

“Proved Reserves” means “Proved Reserves” as defined in the Petroleum Resources Management System as in effect at the time in question (in this definition, the “PRMS”) prepared

by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers and reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers (or any generally recognized successor organizations). “Proved Developed Producing Reserves” means Proved Reserves that are categorized as “Developed Producing Reserves” in the PRMS, “Proved Developed Nonproducing Reserves” means Proved Reserves that are categorized as “Developed Nonproducing Reserves” in the PRMS, and “Proved Undeveloped Reserves” means Proved Reserves that are categorized as “Undeveloped Reserves” in the PRMS.

“Register” has the meaning given to such term in Section 10.6(c).

“Regulation D” means Regulation D of the Board.

“Reimbursable Taxes” has the meaning given to such term in Section 3.5(a).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Required Lenders” , as of any date of determination, Lenders having more than 50% of the Aggregate Commitment or, if the Commitment of each Lender to make Loans has been terminated pursuant to Section 8.2, Lenders holding in the aggregate more than 50% of the sum of the aggregate unpaid principal balance of all Loans of all Lenders at such time.

“Reserves” means estimated volumes of crude oil, condensate, natural gas, natural gas liquids, and associated substances anticipated to be commercially recoverable from known accumulations from a given date forward, under then existing economic conditions, by established operating practices, and under current government regulations. Reserve estimates are based on interpretation of geologic or engineering data available at the time of the estimate. Reserves do not include volumes of crude oil, condensate, natural gas, or natural gas liquids that have been produced (whether held in tanks, pipelines, processing plants, or in a formation or aquifer that is being used for storage).

“Royalty” means an overriding royalty interest in Oil and Gas Properties granted to Royalty Owner pursuant to a Royalty Conveyance. For the avoidance of doubt, the Royalty granted to Royalty Owner in accordance with this Agreement is incremental to, and not cumulative of, each “Royalty” previously granted in accordance with the Second Lien Credit Agreement.

“Royalty Conveyance” means each Conveyance of Overriding Royalty Interest executed by a Credit Party in favor of Royalty Owner on the Closing Date and each additional conveyance, if any, executed by a Credit Party in favor of Royalty Owner, in each case conveying an overriding royalty interest in and to the Oil and Gas Properties described therein that is equal to Royalty Percentage of the working interest represented by Company in the Initial Engineering Report or hereafter acquired by such Credit Party. Each Royalty Conveyance granted after the Closing Date shall be in substantially the same form as the Royalty Conveyance delivered on or about the Closing Date (with such changes as Administrative Agent shall deem appropriate for a different recording jurisdiction or for other changed circumstances).

“Royalty Owner” means LNV Corporation, and its successors and assigns as owners of any Royalty.

“Royalty Percentage” means 3.00%.

“S&P” means Standard & Poor’s Ratings Services (a division of The McGraw Hill Companies), or its successor.

“Second Lien Agent” means the Person serving in the capacity as the “Administrative Agent” (as such term is defined in the Second Lien Credit Agreement) under the Second Lien Credit Agreement.

“Second Lien Credit Agreement” means the Credit Agreement, dated as of the Closing Date, among Company, Second Lien Agent and the Second Lien Lenders, as amended, restated, supplemented or otherwise modified but only to the extent permitted under the terms of the Intercreditor Agreement.

“Second Lien Effective Date” means the “Closing Date” as defined in the Second Lien Credit Agreement.

“Second Lien Lenders” means the lenders party to the Second Lien Credit Agreement from time to time.

“Second Lien Loan Documents” means the “Loan Documents” as defined in the Second Lien Credit Agreement.

“Second Lien Security Documents” means all security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements, account control agreements, and other agreements or instruments now, heretofore, or hereafter delivered by Trust or any Grantor to the Second Lien Agent in connection with Second Lien Credit Agreement or any transaction contemplated thereby to secure or guarantee the payment of any part of the obligations or the performance of any Credit Party’s other duties and obligations under the Second Lien Loan Documents.

“Secured Hedging Obligations” means all obligations arising from time to time under Hedging Contracts permitted by the Loan Documents and entered into from time to time between any Grantor and a Secured Third Party Hedge Counterparty, provided that (a) if such Secured Third Party Hedge Counterparty ceases to be a Secured Third Party Hedge Counterparty, the Secured Hedging Obligations shall only include such obligations to the extent arising from transactions entered into during the time such counterparty was a Secured Third Party Hedge Counterparty and shall not include any obligations arising from any transaction entered into after such counterparty ceases to be a Secured Third Party Hedge Counterparty, and (b) when used with reference to any Guarantor, the term “Secured Hedging Obligation” excludes any Excluded Swap Obligations with respect to such Guarantor.

“Secured Obligations” means all Obligations and all Secured Hedging Obligations.

“Secured Third Party Hedge Counterparty” means any Person satisfactory to Administrative Agent in its discretion that is a counterparty of any Credit Party to a Hedging Contract, in each case only if that counterparty has executed and delivered a Collateral Sharing Agreement.

“Security Documents” means the instruments and agreements listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements, account control agreements, and other agreements or instruments now, heretofore, or hereafter delivered by Trust or any Grantor to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Secured Obligations or the performance of any Grantor’s other duties and obligations under the Loan Documents.

“Security Schedule” means Schedule 2 hereto.

“Strip Pricing” means, as of any date of determination:

(a) for crude oil, the closing settlement price for the Brent Crude Oil futures contract for the applicable month, as published by the IntercontinentalExchange (ICE) on its website currently located at www.theice.com, or any successor thereto (as such price may be corrected or revised from time to time by the ICE in accordance with its rules and regulations), and

(b) for natural gas, the closing settlement price for the Henry Hub Natural Gas futures contract for the applicable month, as published by New York Mercantile Exchange (NYMEX) on its website currently located at www.cmegroup.com, or any successor thereto (as such price may be corrected or revised from time to time by the NYMEX in accordance with its rules and regulations).

“Subsidiary” means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization that is directly or indirectly (through one or more intermediaries) controlled by or owned more than fifty percent by such Person.

“Swap” means any “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.

“Swap Obligation” means any obligation to pay or perform under any Swap, whether as a party to such Swap or by providing any guarantee of or provision of support for such Swap (and whether or not such obligation is a Secured Hedging Obligation hereunder).

“Swap Termination Value” means, in respect of any one or more Hedging Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Contracts, (i) for any date on or after the date such Hedging Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (ii) for any date prior to the date referenced in clause (i), the amount(s) determined as the mark-to-market value(s) for such Hedging Contracts, as determined based upon one or more mid-

market or other readily available quotations provided by any recognized dealer in such Hedging Contracts.

“Termination Event” means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Section 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than such a reportable event for which the 30-day notice requirement has been waived, or (b) the withdrawal by any ERISA Affiliate from an ERISA Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings by the PBGC to terminate any ERISA Plan under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan, or (f) any failure by any ERISA Plan to satisfy the ERISA Plan Funding Rules, whether or not waived, or (g) the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any ERISA Plan or the failure to make by its due date a required installment under Section 430(j) of the Internal Revenue Code with respect to any ERISA Plan, or (h) a determination that any ERISA Plan is, or is expected to be, an at-risk plan (as defined in Section 430 of the Internal Revenue Code or Section 303 of ERISA) and the funding target attainment percentage (as defined in Section 430 of the Internal Revenue Code or Section 303 of ERISA) for such plan is, or is expected to be, less than 60 percent, or (i) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent, upon any ERISA Affiliate.

“Total Funded Debt” means, at any time, (a) the aggregate principal amount of Liabilities in respect of the Loans outstanding at such time plus (b) the aggregate principal amount of Liabilities in respect of loans outstanding under the Second Lien Credit Agreement at such time.

“Transactions” means the entry of the Confirmation Order and effectiveness of the Plan of Reorganization, the execution of the Loan Documents by the parties thereto, the execution of the Second Lien Loan Documents by the parties thereto, and the consummation of the transactions contemplated hereby and thereby.

“Trust” means the “ERG Plan Trust” established under the Trust Declaration pursuant to the Plan of Reorganization.

“Trust Declaration” means the declaration of trust entered into by Parent and the Trustee on [the Closing Date].

“Trust Pledge Agreement” means a pledge agreement to be executed by Trust substantially in the form of Exhibit I-2, pursuant to which Trust grants a security interest in 100% of the Equity in Parent in favor of Administrative Agent to secure the timely repayment of the Obligations and the due and punctual performance of the obligations of Company hereunder.

“Trustee” means the Person appointed to serve as the trustee of Trust and any successor trustee.

“Unused Availability” means, at any time of determination, an amount equal to (a) the Aggregate Commitment, minus (b) the aggregate principal amount of outstanding Loans at such time.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein, the terms defined in this Agreement that refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions of this Agreement unless expressly provided otherwise. Exhibits and Schedules to any Loan Document shall be deemed incorporated by reference in such Loan Document. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words “this Agreement”, “this instrument”, “herein”, “hereof”, “hereby”, “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases “this section” and “this subsection” and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word “or” is not exclusive, and the word “including” (in its various forms) means “including without limitation”. References to a Person’s “discretion” means its sole and absolute discretion. Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to “days” shall mean calendar days, unless the term “Business Day” is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 1.5. Financial Statements and Reports. Unless otherwise expressly provided herein or unless Required Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

Section 1.6. Joint Preparation; Construction of Indemnities and Releases. This Agreement and the other Loan Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto that would require or allow any Loan Document to be construed against any party because of its role in drafting such Loan Document. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or being released.

ARTICLE II

The Loans

Section 2.1. Loans. Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Lender agrees to make loans to Company (herein called such Lender's "Loans") upon Company's request from time to time during the Commitment Period, provided that (a) Loans shall be made by Lenders in accordance with their respective Applicable Percentages, and (b) after giving effect to such Loans, the aggregate principal amount of outstanding Loans at such time does not exceed the Aggregate Commitment then in effect. The aggregate amount of all Loans (other than Loans deemed made pursuant to Section 2.5(b)) in any Borrowing must (i) be greater than or equal to \$500,000 or any higher integral multiple of \$100,000, or (ii) equal the remaining Unused Availability. Interest on each Loan shall accrue and be due and payable as provided herein. Each Loan shall be due and payable as provided herein, and shall be due and payable in full on the Maturity Date. Subject to the terms and conditions hereof, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Notes. The obligation of Company to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Company payable to such Lender or its registered assigns in the form of Exhibit A (with appropriate insertions).

Section 2.3. Requests for Loans. Company must give to Administrative Agent written or electronic notice of any requested Borrowing of new Loans to be advanced by Lenders in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B (each, a "Borrowing Notice"), duly completed. Each Borrowing Notice hereunder must (a) specify the aggregate amount of any such Borrowing of new Loans and the date on which such Loans are to be advanced; (b) specify the intended use of the proceeds of such new Loans (which use must be in compliance with Section 2.4 and the other provisions of the Loan Documents); and (c) be received by Administrative Agent not later than 11:00 a.m., Dallas, Texas time, on (i) with respect to any Borrowing of Loans in an aggregate amount of \$5,000,000 or more, [ten (10) calendar days] preceding the day on which any such Loans are to be made (or, if such day is not a Business Day, the preceding Business Day) (ii) with respect to each other Borrowing of Loans, the 3rd Business Day preceding the day on which any such Loans are to be made (or, if such day is not a Business Day, the preceding Business Day). Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Lender prompt notice of the requested Borrowing of new Loans and a copy of such Borrowing Notice. If all conditions precedent to such new Loans have been met or waived as provided herein, each Lender will, on the date requested,

promptly remit to Administrative Agent the amount of such Lender's new Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither met nor waived as provided herein, Administrative Agent shall promptly make such Loans available to Company. The failure of any Lender to make any Loan to be made by it hereunder shall not relieve any other Lender of its obligation hereunder, if any, to make any of its Loans, but no Lender shall be responsible for the failure of any other Lender to make any Loan to be made by such other Lender.

Section 2.4. Use of Proceeds. Company will use the proceeds of the Loans as follows: (a) with respect to the Loans made on the Closing Date, (i) to pay closing expenses, costs and fees approved by Administrative Agent in its discretion, and (ii) to repay all existing Indebtedness under the DIP Credit Agreement, and (b) with respect to all other Loans, (i) to fund operating expenses due within the next 30 days in accordance with the Approved Business Plan, (ii) to fund capital expenditures due within the next 30 days in accordance with the Approved Plan of Development, and (iii) to make other expenditures from time to time approved in writing by Administrative Agent in its discretion. In no event shall the funds from any Loan be used directly or indirectly by any Person (y) for personal, family, household or agricultural purposes, or (z) for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock.

Section 2.5. Interest Rates; Fees.

(a) Interest Rate; Default Rate. Each Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin but in no event to exceed the Highest Lawful Rate, provided that if an Event of Default shall have occurred and be continuing, all outstanding Loans (and all past due interest thereon) shall bear interest at the Default Rate (but not to exceed the Highest Lawful Rate) until the earlier of (x) the first date thereafter upon which there shall be no Event of Default continuing and (y) the date on which Required Lenders shall elect for the Notes to cease bearing interest at the Default Rate.

(b) Payment Dates. On each Payment Date, to the extent that all or a portion of the interest then accrued on the Loans is not paid with a Cash Interest Payment, in lieu of paying such accrued and unpaid interest in cash, Company shall be deemed to have requested a Borrowing, and Lenders shall be deemed to have made additional Loans to Company, in an aggregate principal amount equal to such accrued and unpaid interest. Each such Loan shall be deemed made by Lenders without any wire transfer of funds to or from Administrative Agent or Company, and applied by Lenders on behalf of Company to pay such accrued and unpaid interest. All such Loans shall be considered to be owing under this Agreement, and Company's obligation to repay such Loans in accordance with this Agreement shall be evidenced by the Notes.

Section 2.6. Collateral Account.

(a) Establishment of Collateral Account; Rules for Application.

(i) Company shall establish and maintain at its expense the Collateral Account pursuant to the Collateral Account Agreement.

(ii) The Credit Parties shall deposit or cause to be deposited into the Collateral Account all Loan proceeds and all Gross Cash Receipts from and after the Closing Date through the date on which all Obligations are paid in full.

(iii) All amounts deposited into the Collateral Account shall be applied to the payment of the following items in the following order of priority, in each case to the extent then due and payable, or due within the next 30 days (with amounts referenced in clause (G) below being deemed due and payable for purposes of this subsection (a)(iii)):

(A) Existing royalties and burdens on the Mortgaged Properties, if any, that constitute Permitted Liens (to the extent and only to the extent production receipts relating to the same are included in Gross Cash Receipts) and Direct Taxes on the Mortgaged Properties;

(B) ABP LOE and ABP Transportation Costs;

(C) Fees and expenses under the Loan Documents;

(D) ABP Overhead Costs;

(E) ABP Workover Expenditures;

(F) APOD Capital Expenditures; and

(G) to payment of the Obligations in accordance with Section 2.7(c).

(iv) On each Payment Date, Administrative Agent shall, subject to the provisions of subsection (a)(v) below, transfer or disburse amounts from the Collateral Account to Company's operating account (or, in Administrative Agent's discretion, directly to the Persons entitled to receive payment of such amounts) for application in accordance with subsection (a)(iii) above.

(v) After the occurrence of an Event of Default under any Loan Document or Company's failure to comply with the terms of this Section 2.6, Administrative Agent may, at its option, from time to time apply all sums after the deduction of amounts owing or to be owing during the next three month period in respect of ABP LOE in the Collateral Account to the reduction of outstanding Obligations and need not comply with any request of Company for funds to be released from the Collateral Account.

(vi) Upon termination of this Agreement, Administrative Agent shall cease to have any rights with respect to amounts remaining in the Collateral Account.

(vii) Prior to an Event of Default, Administrative Agent shall not deliver to the Collateral Account Bank an instruction to transfer or disburse funds in the Collateral Account.

(b) Notice. Company shall send a notice, in form acceptable to Administrative Agent, to all existing or new purchasers of Hydrocarbons produced from the Oil and Gas Properties, directing them to forward all amounts payable to the Credit Parties directly to the Collateral Account at the address of the Collateral Account Bank, provided that Company shall not be required to send any such notice to an existing purchaser for which a notice was previously sent and attached as an exhibit to an Officer's Certificate of Company delivered to Administrative Agent. The failure of such purchasers to comply with any such notice shall not constitute a Default hereunder by any Credit Party, provided that (i) such purchaser's failure to comply with such notice is not done at the request of Company or any Affiliate of Company, and (ii) Company and Company's Affiliates shall forward all amounts received from such purchaser to the Collateral Account by the first Business Day after Company's or Company's Affiliate's receipt thereof.

(c) Acknowledgments. Company hereby acknowledges that:

(i) Each Credit Party has granted and assigned to Administrative Agent a first priority, perfected security interest in the Collateral Account, all funds therein and all proceeds thereof pursuant to the Collateral Account Agreement; and

(ii) No Credit Party shall be permitted to withdraw, transfer or disburse any funds from the Collateral Account except in accordance with the terms hereof, the Collateral Account Agreement and each other Loan Document.

(d) Authority to Act. Each Credit Party hereby authorizes Administrative Agent to take the following actions (whether acting in the name of Administrative Agent, or Lenders, or as Company's attorney-in-fact, with full power of substitution): (i) to execute or file any financing statement, continuation statement, instrument of further assurance, direction, or agreement to more effectively exercise (after an Event of Default) and protect the Lender Parties' rights in the Collateral Account or (ii) to perfect, continue or confirm the provisions of this Section 2.6, any agreement entered into by Company, Administrative Agent and the Collateral Account Bank, or the security interest granted in the Collateral Account. This power, being coupled with an interest, shall be irrevocable until all amounts due in connection with the Notes have been paid in full.

Section 2.7. Mandatory Prepayments.

(a) Upon any receipt of net cash proceeds by Company or any other Credit Party in respect of a Casualty Event, Company shall make a prepayment in respect of the Loans equal to 100% of all such net cash proceeds received therefrom, immediately upon receipt thereof by Company or such other Credit Party. Each prepayment made pursuant to this Section 2.7(a) shall be applied as set forth in Section 3.1.

(b) If the Required Lenders shall, in their discretion, approve the sale or other transfer of any assets or properties requested by any Credit Party, then (unless otherwise specified in such

consent, which specification may be made in the discretion of Required Lenders) Company shall make a prepayment in respect of the Loans in an amount equal to the sales proceeds received by the Credit Parties from such sale or other transfer, net of (A) the principal amount of any Indebtedness (other than the Obligations) that is secured by the applicable asset and that is required to be repaid in connection with such transaction, together with accrued and unpaid interest, premiums, if any, breakage or other similar costs, and (B) all amounts paid in respect of the early termination of Hedging Contracts unwound as a result of such disposition and other reasonable and customary out-of-pocket expenses incurred by Company or its Subsidiaries in connection with such transaction. Each prepayment made pursuant to this Section 2.7(b) shall be applied as set forth in Section 3.1.

(c) Company shall make prepayments in respect of the Loans from time to time with Gross Cash Receipts as and when provided in Section 2.6(a)(iii). Each prepayment made pursuant to this Section 2.7(c) shall be applied as set forth in Section 3.1.

(d) If any principal or interest amount payable under the Notes remains outstanding at the Maturity Date, such amount will be paid in full by Company to Lenders in immediately available funds on the Maturity Date.

Section 2.8. Optional Prepayments.

(a) Company may, at its option, upon notice as provided below and subject in all respects to the provisions of Section 3.1, prepay all or any part of the Loans, on any date, at 100% of the amount so prepaid, provided that:

- (i) such prepayment must occur on a Business Day,
- (ii) any partial payment in respect of the Loans must not be less than \$500,000 in the aggregate for all Loans then outstanding,
- (iii) each such prepayment shall be accompanied by any fees or expenses then due under this Agreement, and
- (iv) Company must give each Lender Party a written Prepayment Notice as provided in subsection (b) below of each prepayment under this section.

(b) Each such Prepayment Notice pursuant to subsection (a) above shall be in the form of Exhibit D, duly completed, given not less than 5 days and not more than 45 days prior to any date fixed for such prepayment and shall specify (1) the Business Day on which such prepayment will be made, (2) the aggregate amount of such prepayment and (A) the portion of such amount to be applied to interest payable pursuant to Sections 2.5 and 3.1, and (B) the portion of such amount (if any) to be applied to principal pursuant to Sections 2.8 and 3.1 and (3) the fees or expenses to be paid on the prepayment date. Upon the giving of such notice, the principal to be prepaid as described therein shall become due and payable, along with the applicable interest on the prepayment date specified in such notice. Each such prepayment of Loans shall be allocated among all Lenders in proportion to their unpaid Loans.

(c) Any principal prepaid pursuant to subsection (a) of this Section shall be made without any premium or penalty.

Section 2.9. [Reserved].

Section 2.10. [Reserved].

Section 2.11. [Reserved].

Section 2.12. Computation of Interest and Fees.

(a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. Any change in the interest rate on a Loan resulting from a change in the ABR shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify Company and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on Company and the Lenders in the absence of manifest error.

ARTICLE III

Payments to Lenders

Section 3.1. General Procedures. Company will make each payment that it owes under the Loan Documents to Administrative Agent for the account of the Person to whom such payment is owed, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than 12:00 noon (local time at the designated place of payment) on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension. When Administrative Agent collects or receives money on account of the Obligations, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

(a) first, for the payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Administrative Agent (including fees and time charges for attorneys who may be employees of Administrative Agent) and amounts payable under Article III) payable to Administrative Agent in its capacity as such;

(b) then for the payment of accrued and unpaid interest on the Loans;

- (c) then for the prepayment of principal of the Loans; and
- (d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any accrued and unpaid interest, then to principal then due and payable, and last to any prepayment of principal in compliance with Section 2.8. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties that are described in such subsection; provided that if any Lender then owes payments to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to Administrative Agent to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Payment of Interest. On each Payment Date, Company shall pay the interest then accrued on the Loans in full. To the extent that all or a portion of the interest then accrued on the Loans is not paid in full with a Cash Interest Payment, Company shall be deemed to have borrowed such accrued and unpaid interest from Lenders in the form of additional Loans in principal amount equal to such interest as provided in Section 2.5(b); provided that no such additional Loans shall be deemed made if, after giving effect to such additional Loans, the aggregate principal amount of outstanding Loans at such time would exceed the Aggregate Commitment then in effect.

Section 3.3. Place of Payment. Payments becoming due and payable on the Notes and under the other Loan Documents shall be made by wire transfer to a bank and account located in the State of [New York]² specified by Administrative Agent. Administrative Agent may at any time, by notice to Company, change the place of payment of any such payments so long as such place of payment shall be in the State of New York.

Section 3.4. Capital Reimbursement. If the introduction or implementation after the date hereof of or the compliance with any request, directive or guideline issued after the date hereof from any central bank or other Governmental Authority (whether or not having the force of Law) regarding capital requirements has or would have the effect of reducing the rate of return on any Lender Party's capital, or on the capital of any corporation controlling such Lender Party, as a consequence of the Loans made by such Lender Party, to a level below that which such Lender Party or such corporation could have achieved but for such change (taking into consideration such Lender Party's policies and the policies of any such corporation with respect to capital adequacy), then from time to time Company will pay to Administrative Agent for the benefit of such Lender Party, within three Business Days after demand therefor by such Lender Party, such additional amount or amounts that such Lender Party shall determine to be appropriate to compensate such Lender Party for such reduction.

² NTD: Under review.

Section 3.5. Reimbursable Taxes. Company covenants and agrees that:

(a) Company will indemnify each Lender Party against and reimburse each Lender Party for all present and future taxes, levies, costs and charges whatsoever imposed by a Governmental Authority on or with respect to any payment made by or on account of any obligation of any Credit Party under any Loan Document and stamp and other similar taxes that arises from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, (i) taxes imposed on or measured by its net income (however denominated), branch profits taxes and franchise taxes imposed on it (in lieu of net income taxes), in each case, by the jurisdiction (or any political subdivision thereof) under the Laws of which it is organized or otherwise resides for tax purposes or maintains the office, branch, or agency through which it administers this Agreement, (ii) with respect to each Lender Party, taxes imposed by reason of any present or former connection between such Lender Party and the jurisdiction imposing such taxes, other than solely as a result of this Agreement or any Note or any transaction contemplated hereby, (iii) any United States withholding tax imposed on any payment by a Credit Party pursuant to this Agreement or under any Loans, but not excluding any portion of such tax that exceeds the United States withholding tax that would have been imposed on such a payment to such Lender Party under the Laws and treaties in effect when such Lender Party first becomes a party to this Agreement or changed its lending office, (iv) any taxes attributable to such Lender Party's failure to comply with Section 3.5(c) or (d) and (v) any taxes paid pursuant to FATCA (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes"). Such indemnification shall be paid within 10 Business Days after a Lender Party makes demand therefor.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Company to any Lender Party hereunder shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Company. In the event of Company being compelled by Law to make any such deduction or withholding with respect to Reimbursable Taxes from any payment to any Lender Party, Company shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount that would have been receivable in the absence of such deduction or withholding. If Company should make any deduction or withholding as aforesaid, Company shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) Notwithstanding the foregoing provisions of this section, Company shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) any taxes from principal, interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who has duly executed Internal Revenue Service Form W-9 on file with Administrative Agent (with copies provided to Company) certifying that such Lender Party is exempt from U.S. federal backup withholding tax or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Company) for the applicable year to the extent deduction or withholding

of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Company shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation that such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, "Prescribed Forms" means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Internal Revenue Code, or (z) any applicable rules or regulations thereunder, permit Company to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes. If a payment made to a Lender Party under any Loan Document would be subject to U.S. federal withholding tax imposed by FATCA if such Lender Party were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender Party shall deliver to Company and Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by Company or Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by Company or Administrative Agent as may be necessary for Company and Administrative Agent to comply with their obligations under FATCA and to determine that such Lender Party has complied with such Lender Party's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

(d) Notwithstanding anything to the contrary in this Agreement, any Lender Party that is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document shall deliver to Company and the Administrative Agent, at the time or times reasonably requested by Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender Party, if reasonably requested by Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Company or the Administrative Agent as will enable Company or the Administrative Agent to determine whether or not such Lender Party is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.5(c)) shall not be required if in the Lender Party's reasonable judgment such completion, execution or submission would subject such Lender Party to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(e) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the taxes giving rise to such refund), net of all

out-of-pocket expenses (including taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying party or any other Person.

ARTICLE IV

Conditions Precedent to Lending

Section 4.1. Closing Date Conditions. The effectiveness of this Agreement is subject to the satisfaction, or waiver in accordance with Section 10.1, of the conditions specified in Section 4.2 and the following conditions on or before the Closing Date:

(a) Closing Documents. Administrative Agent shall have received all of the following, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

(i) this Agreement and any other documents the Lenders are to execute in connection herewith;

(ii) the Guaranty;

(iii) a Note for each Lender in the form set forth in Exhibit A-1;

(iv) each Security Document listed in the Security Schedule;

(v) the Royalty Conveyance;

(vi) the ABP and APOD;

(vii) an "Omnibus Certificate" of the [Secretary and of the President]³ of Company, which shall contain the names and signatures of the officers or representatives authorized to execute Loan Documents and which shall certify as of the Closing Date to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Trustee as the sole manager of Company and in

³ NTD: Reference appropriate officer or officers of the Company.

full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of Company and all amendments thereto, certified by the appropriate official of the state of organization, (3) a copy of the operating agreement (or equivalent) of Company; (4) a certified copy of the Plan of Reorganization as approved by the Bankruptcy Court and (5) a certified copy of the Confirmation Order as entered by the Bankruptcy Court;

(viii) a “Compliance Certificate” of the president or a vice president of Company, dated as of the Closing Date, in which such officer certifies to the satisfaction of the conditions set out in Section 4.2 as of the Closing Date;

(ix) a certificate (or certificates) of the due formation, valid existence and good standing of Company in its state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of Company’s good standing and due qualification to do business, issued by appropriate officials in any states in which Company owns material property subject to Security Documents dated, in each case, as of a recent date prior to the Closing Date;

(x) documents and certificates similar to those specified in clauses (vi) and (viii) of this subsection with respect to each Credit Party (other than Company);

(xi) a “Trustee’s Certificate” of the Trustee, which shall certify as of the Closing Date to the truth, correctness and completeness of the Trust Declaration;

(xii) the Initial Financial Statements;

(xiii) favorable opinions of DLA Piper LLP (US), counsel for the Credit Parties, and of local California counsel acceptable to Administrative Agent, collectively addressing the matters set forth in Exhibit H;

(xiv) any instruments evidencing any Indebtedness owed to any Grantor pledged pursuant to any Security Document, indorsed in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof;

(xv) any certificates evidencing issued and outstanding Equity of any Credit Party pledged pursuant to any Security Document, together with undated, blank stock powers for each such certificate;

(xvi) proper Uniform Commercial Code financing statements in form appropriate for filing in all jurisdictions that Administrative Agent may deem necessary or advisable in order to perfect the Liens created under the Security Documents; and

(xvii) the results of such Uniform Commercial Code search reports from the jurisdictions of organization of Trust and each of the Credit Parties as Administrative Agent may request, in each case reflecting no prior Liens (other than Permitted Liens) encumbering the properties of such Credit Parties or the Equity interests in Parent.

(xviii) a true, correct and complete copy of the Second Lien Credit Agreement, the Intercreditor Agreement, and each other Second Lien Loan Document, duly executed and delivered by each party thereto. Simultaneously with the effectiveness of this Agreement on the date hereof, the Second Lien Effective Date must occur and all conditions precedent to the Second Lien Effective Date must be fully satisfied.

(b) Due Diligence. Administrative Agent and Lenders shall have completed a due diligence investigation of the Credit Parties in scope, and with results, satisfactory to Lenders, and shall have been given such access to the management, records, books of account, contracts and properties (including their Oil and Gas Properties) of the Credit Parties and shall have received and found to be satisfactory such financial, business and other information regarding each of the foregoing Persons and businesses as they shall have requested, including each of the following:

(i) certificates of Company's insurance agents or brokers evidencing that Company is carrying insurance as required in the Loan Documents and that Administrative Agent has been named as additional insured and loss payee thereunder as its interests may appear and to the extent required under Section 6.8.

(ii) evidence satisfactory to Administrative Agent that (1) the Credit Parties are in compliance with all applicable Environmental Laws; and (2) that all environmental, health and safety permits, licenses and other authorizations necessary for operations have been obtained and are maintained in full force and effect.

(iii) the Initial Engineering Report.

(iv) title information confirming Company's and the other Guarantors' title to their Oil and Gas Properties that constitute Collateral.

(c) Collateral Account. Company shall have established the Collateral Account as required hereunder.

(d) Payment of Fees and Expenses. The Lender Parties and their counsel shall have contemporaneously received all fees and other amounts due and payable on or prior to the Closing Date with respect to this Agreement including the fees and reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Company hereunder or under each mandate or expense letter executed by Company or any Affiliate thereof.

(e) Confirmation of Plan. The "Effective Date" of the Plan of Reorganization shall have occurred. The Confirmation Order (i) shall have been entered on the docket of the Chapter 11 Case, (ii) shall be in full force and effect, (iii) shall constitute a final order not subject to appeal and (iv) shall be acceptable to the Administrative Agent and the Required Lenders in their discretion.

(f) Plan Documents. Each of the Plan Documents shall be in form and substance acceptable to the Administrative Agent and the Required Lenders in their discretion.

(g) Plan Trustee. The Trustee shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(h) Chief Executive Officer. The chief executive officer of Company shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(i) Contract Operator. The initial contract operator of the Oil and Gas Properties pursuant to the Plan of Reorganization shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(j) Outstanding Indebtedness. After giving effect to the Transactions, the Credit Parties and their Subsidiaries shall have no outstanding Indebtedness for borrowed money or preferred stock other than (i) the Loans and (ii) the Indebtedness under the Second Lien Credit Agreement.

(k) Other Documentation. Administrative Agent shall have received all documents and instruments (in form and substance satisfactory to Administrative Agent in its discretion) that Administrative Agent has then reasonably requested, in addition to those described in this Section 4.1.

Section 4.2. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first) unless the following conditions precedent have been satisfied:

(a) Representations and Warranties. All representations and warranties made by any Person in any Loan Document shall be true and correct in all respects on and as of the date of such Loan as if such representations and warranties had been made as of the date of such Loan (except to the extent that such representation or warranty was made as of a specific date, in which case such representation or warranty shall be true and correct in all respects as of such specific date).

(b) No Default. No Default or Potential Default shall exist at the date of and immediately after giving effect to, (i) with respect to the Closing Date, the Transactions, and (ii) with respect to any other date, such Loan and any concurrent repayment of Indebtedness with the proceeds of such Loan.

(c) No Material Adverse Change. No Material Adverse Change shall have occurred, and no event or circumstance shall have occurred that could reasonably be expected to cause a Material Adverse Change.

(d) Compliance with Loan Documents. Each Credit Party shall have performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date of such Loan.

(e) No Legal Bar. The making of such Loan shall not be prohibited by any Law and shall not subject any Lender to any penalty or other onerous condition under or pursuant to any such Law.

(f) Other Documents and Instruments. Administrative Agent shall have received all documents and instruments (in form and substance satisfactory to Administrative Agent in its discretion) that Administrative Agent has then requested, in addition to those described in Section 4.1.

(g) No Second Lien Default. No “Default” or “Event of Default” under any Second Lien Loan Document shall have occurred and be continuing on the date of such Loan.

ARTICLE V

Representations and Warranties

To confirm each Lender Party’s understanding concerning the Credit Parties and the Credit Parties’ businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Company represents and warrants that:

Section 5.1. No Default. No Credit Party is in default in the performance of any of its covenants and agreements contained in any Loan Document, and no event has occurred and is continuing that constitutes a Default.

Section 5.2. Organization and Good Standing. Each Credit Party is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Credit Party is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure could not reasonably be expected to cause a Material Adverse Change.

Section 5.3. Authorization. Each Credit Party has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder, and such transactions are within each Credit Party’s corporate, partnership, limited liability company or other powers. Company is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Credit Parties of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (a) conflict with any provision of (i) any Law, (ii) the organizational documents of any Credit Party, (iii) the Confirmation Order or the Plan of Reorganization, (iv) any Second Lien Loan Document or (v) any other Material Contract, judgment, license, order or permit applicable to or binding upon any Credit Party or its property, (b) result in the acceleration of any Indebtedness owed by any Credit Party, or (c) result in or require the creation of any Lien upon any property of any Credit Party except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no permit, consent, approval, authorization or order of, and no notice to or

filing with, any Governmental Authority or third party is required in connection with the execution, delivery or performance by any Credit Party of any Loan Document or any Second Lien Loan Document or to consummate any transaction contemplated by a Loan Document or the Second Lien Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement and the other Loan Documents have been duly executed and delivered by, and are the legal, valid and binding obligations of, each of the Credit Parties and each of their respective Affiliates that is a party hereto or thereto, enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by general principles of equity.

Section 5.6. Financial Statements; No Material Adverse Change.

(a) Company has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present in all material respects the Consolidated financial position of the Persons reported on therein, at the date thereof. Except as otherwise indicated therein, the Initial Financial Statements were prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments and the absence of footnotes.

(b) The most recent financial statements furnished pursuant to Section 6.2(a) fairly present the Consolidated financial position of the Persons reported on therein, at the date thereof, all in accordance with GAAP.

(c) The most recent financial statements furnished pursuant to Section 6.2(b) fairly present the Consolidated financial position of the Persons reported on therein, at the date thereof, all in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes.

(d) Except as disclosed in Section 5.6 of the Disclosure Schedule, since the date of the Plan of Reorganization, there has been no event, development or circumstance that has caused a Material Adverse Change.

Section 5.7. Other Liabilities and Restrictions; Material Contracts. No Credit Party has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) that are, in the aggregate, material to Company or material with respect to Company's Consolidated financial condition, other than Liabilities shown in the most recently delivered financial statements and Liabilities disclosed in Section 5.7 of the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Schedule, no Credit Party is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction that could reasonably be expected to cause a Material Adverse Change. Except as listed in Section 5.7 of the Disclosure Schedule, no Credit Party has any Material Contracts (other than oil and gas leases, unit agreements, unit operating agreements, and joint operating agreements that are

specifically listed on the property descriptions attached to a Mortgage). Except as listed in Section 5.7 of the Disclosure Schedule, no Credit Party is a party to any Hedging Contract.⁴

Section 5.8. Full Disclosure. The certificates, statements and other information at any time delivered to Administrative Agent by or on behalf of Company or any of Company's Affiliates in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby do not contain any untrue statement of a material fact and do not omit to state any material fact known to Company or its Affiliates (other than industry-wide risks normally associated with the types of businesses conducted by the Credit Parties) necessary to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to Company or its Affiliates (other than industry-wide risks normally associated with the types of businesses conducted by the Credit Parties) that are not peculiar to the business of the Credit Parties) that has not been disclosed to Administrative Agent in writing that could cause a Material Adverse Change. Company has heretofore delivered to each Lender true, correct and complete copies of the Initial Engineering Report. There are no statements or conclusions in any Engineering Report that are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that each Engineering Report is necessarily based upon professional opinions, estimates and projections and that Company does not warrant that such opinions, estimates and projections will ultimately prove to have been accurate (although Company has no reason to believe that such opinions, estimates and projections are not accurate and complete).

Section 5.9. Litigation. Except as disclosed in Section 5.9 of the Disclosure Schedule: (a) there are no actions, suits or legal, equitable, arbitral or administrative proceedings pending, or to the knowledge of any Credit Party threatened, against any Credit Party or affecting any Collateral before any Governmental Authority that (i) could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change or (ii) involve any Loan Document or the transactions contemplated thereby, (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Governmental Authority against any Credit Party or any Credit Party's stockholders, partners, members, directors or officers or affecting any Collateral or any of its assets or property that could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change, and (c) there are no actions, suits or legal, equitable, arbitral or administrative proceedings or demands pending (or, to any Credit Party's knowledge, threatened) that could, individually or in the aggregate, adversely affect the rights of Company and its Subsidiaries in and to any such Collateral, including any that challenge or otherwise pertain to Company's or any of its Subsidiaries' title to such Collateral or the rights to produce and sell Hydrocarbons therefrom.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in Section 5.10 of the Disclosure Schedule, neither the business nor the properties of any Credit Party has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could reasonably be expected to cause a Material Adverse Change.

⁴ NTD: Status of BP call option as a Secured Hedging Obligation in dispute.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in Section 5.11 of the Disclosure Schedule. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any Multiemployer Plan or any ERISA Plan subject to Section 4064 of ERISA. Except as disclosed in the Initial Financial Statements or in Section 5.11 of the Disclosure Schedule: (i) no Termination Event has occurred with respect to any ERISA Plan, and no event or circumstance has occurred or exists that could reasonably be expected to constitute or result in a Termination Event; (ii) all ERISA Affiliates are in compliance in all material respects with ERISA, the Internal Revenue Code and other applicable Laws with respect to each Plan; (iii) there are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits with respect to any Plan that could reasonably be expected to result in a Material Adverse Change; and (iv) there has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has resulted in or could reasonably be expected to result in a Material Adverse Change. Except as set forth in Section 5.11 of the Disclosure Schedule: (a) the present value of each ERISA Plan's benefits does not exceed the present value of such ERISA Plan's assets available for the payment of such benefits by more than \$5,000,000 (determined in both cases using the assumptions applicable thereto promulgated under Section 430 of the Code), (b) neither Company nor any other ERISA Affiliate is obligated to provide benefits to any retired employees (or their dependents) under any employee welfare benefits plan (as defined in Section 3(1) of ERISA) other than as required by applicable Law, and (c) neither Company nor any other ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA.

Section 5.12. Environmental and Other Laws. Except as disclosed in Section 5.12 of the Disclosure Schedule: (a) the Credit Parties are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses, permits, and authorizations required under any such Laws; (b) none of the operations or properties of any Credit Party is the subject of federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials; (c) no Credit Party (and to the best knowledge of Company and its Affiliates, no other Person) has filed any notice under any Law indicating that any Credit Party is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property owned or leased by such Credit Party; (d) no Credit Party has transported or arranged for the transportation of any Hazardous Material to any location that is (i) listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, listed for possible inclusion on such National Priorities List by the Environmental Protection Agency in its Comprehensive Environmental Response, Compensation and Liability Information System List, or listed on any similar state list or (ii) the subject of federal, state or local enforcement actions or other investigations that may lead to claims against any Credit Party for clean-up costs, remedial work, damages to natural resources or for personal injury claims (whether under Environmental Laws or otherwise); and (e) no Credit Party otherwise has any known material contingent liability under any Environmental Laws or in connection with the release into the environment, or the storage or disposal, of any Hazardous Materials. Each Credit Party undertook, at the time of its

acquisition of each of its material properties, all appropriate inquiry into the previous ownership and uses of the property and any potential environmental liabilities associated therewith.

Section 5.13. Insurance. The Insurance Schedule (as modified or supplemented from time to time pursuant to Section 6.8(a)) contains an accurate and complete description of all material policies of property and casualty, liability, workmen's compensation and other forms of insurance owned or held by or on behalf of any Credit Party. Such policies constitute all policies of insurance required to be maintained under Section 6.8 hereof or any other applicable provision of the Loan Documents. All such policies are in full force and effect, all premiums due with respect thereto have been paid and no notice of cancellation or termination in any material respect has been received with respect to any such policy. Such policies (i) are sufficient for compliance in all material respects with all requirements of Law and of all agreements to which any Credit Party is a party, (ii) are valid, outstanding and enforceable policies, (iii) provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies engaged in the same or a similar business for the assets and operations of the Credit Parties and (iv) will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement and the other Loan Documents.

Section 5.14. Names and Places of Business. No Credit Party has (or during the preceding five years had) been known by, or used any other trade or fictitious name, except as disclosed in Section 5.14 of the Disclosure Schedule. Except as otherwise indicated in Section 5.14 of the Disclosure Schedule, or otherwise disclosed in writing to Administrative Agent after the Closing Date, the chief executive office and principal place of business of each Credit Party are located at the address of Company set out in Section 10.3. Except as indicated in Section 5.14 of the Disclosure Schedule or otherwise disclosed in writing to Administrative Agent, no Credit Party has any other office.

Section 5.15. Subsidiaries and Capital Structure.

(a) Section 5.15 of the Disclosure Schedule (as supplemented from time to time by Company in written notices to Administrative Agent and Lenders) sets forth a true, correct and complete description of (i) the Subsidiaries of Company and the ownership of such Subsidiaries' outstanding Equity and (ii) any other Equity in any other Person that is owned by Company or any of its Subsidiaries. All of Company's Equity in its Subsidiaries, and all other Equity set forth in such section of the Disclosure Schedule, has been duly authorized and is validly issued, fully paid and non-assessable. Except for Liens under the Loan Documents, Company and its indicated Subsidiaries own such Subsidiaries and Equity free and clear of any Liens and other restrictions (including any restrictions on the right to vote, sell or otherwise Dispose of any such Equity) and free and clear of any preemptive rights, rescission rights, or other rights to subscribe for or to purchase or repurchase any such Equity. Trust owns no properties (whether real or personal) or assets of any kind other than 100% of the Equity interests in Parent and assets related thereto. Parent owns no properties (whether real or personal) or assets of any kind other than 100% of the Equity interests in Company and assets related thereto.

(b) Except as set forth in Section 5.15 of the Disclosure Schedule, there is (i) no outstanding Equity issued by any Subsidiary of Company, (ii) no outstanding security of any

such Subsidiary convertible into or exchangeable for Equity in such Subsidiary, (iii) no outstanding obligation of any Person to issue or sell any Equity in such Subsidiary or any other security of such Subsidiary convertible into or exchangeable for such Equity, and (iv) no outstanding obligation of Company or any of its Subsidiaries to repurchase, redeem, or otherwise acquire from other Persons any such Equity, security or obligation.

(c) Except as set forth in Section 7.1 as permitted Indebtedness, neither Company nor any of its Subsidiaries has any obligation to repurchase, redeem or retire any of its issued and outstanding Equity. Section 5.15 of the Disclosure Schedule (as supplemented from time to time by Company in written notices to Administrative Agent and Lenders) sets forth a true, correct and complete description of the issued and outstanding Equity issued by Company and the ownership of such outstanding Equity.

Section 5.16. Government Regulation. No Credit Party is (a) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, as amended, or any other Law that regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.17. [Reserved].

Section 5.18. Title to Properties; Licenses; Control over Accounts.

(a) Company has good and defensible title to, or valid leasehold interests in, its Oil and Gas Properties to which Proved Reserves are attributed in each Engineering Report or with respect to which drilling operations are expected to commence within the next 30 days and all of its other material properties and assets necessary or used in the ordinary conduct of its business, free and clear of all Liens, encumbrances, or adverse claims other than Permitted Liens and free and clear of all material impediments to the use of such properties and assets in Company’s business. The Royalties are conveyed to Royalty Owner by the Credit Parties free and clear of any Lien other than the Permitted Liens.

(b) Each Engineering Report at any time delivered pursuant to Section 6.2(l) correctly states in all material respects the working interests and net revenue interests of Company in the Proved Reserves that are the subject of such Engineering Report. Company is not obligated to bear any percentage share of the costs and expenses relating to the drilling, development and production of such Proved Reserves in excess of such working interests that is not offset by a corresponding proportionate increase in Company’s net revenue interest in such Proved Reserves, and (subject to the Loan Documents) Company is entitled to receive percentage shares of the revenues from the production of such Proved Reserves that are at least equal to such net revenue interests.

(c) All material leases and agreements necessary for the conduct of the business of the Credit Parties are valid and subsisting and in full force and effect, and there exists no default, or event or circumstance which with the giving of notice or the passage of time or both would

give rise to a default, under any such lease or agreement which could reasonably be expected to result in a Material Adverse Change.

(d) All of the properties of the Credit Parties which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards, except to the extent any failure to satisfy the foregoing could not reasonably be expected to affect adversely Company's rights and benefits with respect to such properties or result in a Material Adverse Change.

(e) Each Credit Party possesses all licenses, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) that are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Credit Party is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property, except in each case where any such failure could not reasonably be expected to result in a Material Adverse Change.

(f) No Credit Party has granted control over any Deposit Accounts to any Person, other than Administrative Agent and the bank with which any Deposit Account is maintained. No Credit Party has any "securities accounts" as defined and described in the UCC.

Section 5.19. Regulation U. Neither Company nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loans will be used for a purpose that violates Regulation U.

Section 5.20. Leases and Contracts; Performance of Obligations. Each lease, deed, or other agreement forming any part of the Oil and Gas Properties of Company to which Proved Reserves are attributed in each Engineering Report or with respect to which drilling operations are expected to commence within the next 30 days is in full force and effect, and all rents, royalties and other payments due and payable under such leases, deeds, and other agreements have been properly and timely paid except where the failure to make such payments could not reasonably be expected to affect adversely Company's rights and benefits under such leases, deeds, and other agreements or result in a Material Adverse Change. Company is not in default with respect to its obligations (and Company is not aware of any default by any third party with respect to such third party's obligations) under any such leases, deeds, and other agreements, or under any Permitted Liens, or otherwise attendant to the ownership or operation of any part of the Oil and Gas Properties except to the extent such default could not reasonably be expected to affect adversely the ownership or operation of the Oil and Gas Properties to which any such Proved Reserves are attributed or result in a Material Adverse Change. Except as reflected in the most recently delivered Engineering Report, Company is not currently accounting for any royalties, overriding royalties or other payments out of production on a basis (other than delivery in kind) that is less favorable to Company than proceeds received by Company (calculated at the well) from the sale of such production, and Company does not have any liability (or alleged liability) to account for the same on any such less favorable basis.

Section 5.21. Marketing Arrangements. Except as set forth in Section 5.21 of the Disclosure Schedule, no Oil and Gas Property is subject to any contractual or other arrangement (a) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) or (b) whereby payments are made to a Credit Party other than by checks, drafts, wire transfers, or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements, transportation agreements and other agreements relating to the marketing of production that are listed in Section 5.21 of the Disclosure Schedule in connection with the Oil and Gas Properties to which such contract or agreement relates: (i) no Oil and Gas Property is subject to any contractual or other arrangement for the sale, processing or transportation of production (or otherwise related to the marketing of production) that cannot be canceled by such Credit Party on 120 days' (or less) notice or that does not provide for the prices to be paid for such production to float with the market at least as often as monthly, and (ii) all contractual or other arrangements for the sale, processing or transportation of production (or otherwise related to the marketing of production) are bona fide arm's length transactions with third parties not affiliated with Company. Each Credit Party is presently receiving a price for all production from (or attributable to) each Oil and Gas Property covered by a production sales contract or marketing contract that is computed in all material respects in accordance with the terms of such contract, and no Credit Party is having deliveries of production from such Oil and Gas Property curtailed materially below such property's delivery capacity, except for curtailments caused (1) by an act or event of force majeure not reasonably within the control of and not caused by the fault or negligence of a Credit Party and which by the exercise of reasonable diligence such Credit Party is unable to prevent or overcome, or (2) by routine maintenance requirements in the ordinary course of business.

Section 5.22. Right to Receive Payment for Future Production. Except as set forth in Section 5.22 of the Disclosure Schedule, no Credit Party, and no predecessor in title of any Credit Party, has received prepayments (including payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any Hydrocarbons produced or to be produced from any Oil and Gas Properties after the date hereof. Except as set forth in Section 5.22 of the Disclosure Schedule, no Oil and Gas Property is subject to any "take or pay", gas imbalances or other similar arrangement (a) as a result of which Hydrocarbons produced from such Oil and Gas Property may be required to be delivered to one or more third parties without current payment (or without full payment) therefor or (b) that is determined in whole or in part by reference to the production or transportation of Hydrocarbons from other properties. Except as set forth in Section 5.22 of the Disclosure Schedule, there is no Oil and Gas Property with respect to which any Credit Party, or any Credit Party's predecessors in title, has, prior to the date hereof, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Oil and Gas Property would entitle it to take. Section 5.22 of the Disclosure Schedule accurately reflects, for each well or unit with respect to which such an imbalance is shown thereon to exist, (i) whether such Credit Party is overproduced or underproduced and (ii) the volumes (in cubic feet or British thermal units) of such overproduction or underproduction and the effective date of such information. Since the date of this Agreement, no material changes have occurred in such overproduction or underproduction except those that have been reported as required pursuant to Section 6.2. No

Oil and Gas Property is subject to any regulatory refund obligation and, to the best of each Credit Party's knowledge, no facts exist that might cause the same to be imposed.

Section 5.23. Operation of Oil and Gas Properties. The Oil and Gas Properties (and all properties unitized therewith) are being (and, to the extent the same could adversely affect the ownership or operation of the Oil and Gas Properties after the date hereof, have in the past been) maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards, in material conformity with all applicable Laws, all oil, gas or other mineral leases and other contracts and agreements forming a part of the Oil and Gas Properties, and all Permitted Liens. Except as disclosed in Section 5.23 of the Disclosure Schedule, (a) no Oil and Gas Property is subject to having allowable production after the date hereof reduced below the full and regular allowable production (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (b) none of the wells located on the Oil and Gas Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are bottomed under and producing from, with the well bores wholly within, the Oil and Gas Properties (or, in the case of wells located on properties unitized therewith, such unitized properties). Each Credit Party has or will obtain as required for Company's budgeted schedule for development of the Oil and Gas Properties (including as set forth in the APOD) (x) all materials, supplies, machinery, equipment, improvements and other personal property and fixtures, including water, sand, wellhead equipment, pumping units, flowlines, tanks, buildings, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, and other equipment (or adequate provision has been made for the acquisition thereof), (y) all easements, rights-of-way, surface leases and other surface rights, and (z) all permits and licenses, in each case, necessary or desirable for the exploration, development, operation or maintenance of its Oil and Gas Properties (and the wells contemplated to be spud or drilled within the next 30 days) including land use permits, and no Credit Party has received notice of any material violations in respect of any such easements, rights-of-way, surface leases, surface rights, licenses or permits. Notwithstanding anything to the contrary in this Section 5.23, Credit Parties have obtained and are in material compliance with all licenses, permits, and authorizations necessary for (i) the operation of the first two 85 MMBtu/hr steam generators described in the APOD and (ii) the construction and initial phase of operation of the third 85 MMBtu/hr steam generator described in the APOD, in each case together with all licenses, permits, and authorizations necessary for the injection of steam from such generators into wells as described in the APOD, and all rights to water use necessary to implement the APOD, and Credit Parties have no knowledge of any reason they should not receive all such licenses, permits and authorizations necessary for the ongoing commercial production of Hydrocarbons associated with the APOD, including operation of such steam generators and injection of steam from such steam generators into wells as described in the APOD, in a timely manner. "Material compliance" and "[no] material violations" in this context means that no notice of violation (NOV) received by any Credit Party could reasonably be expected to cause a Material Adverse Change or have a material adverse impact on Company's budgeted schedule for development of the Oil and Gas Properties (including as set forth in the APOD).

Section 5.24. Ad Valorem and Production Taxes. Except as set forth in Section 5.24 of the Disclosure Schedule, each Credit Party has paid and discharged all material ad valorem taxes

assessed against its Oil and Gas Properties or any part thereof and all material production, severance and other taxes assessed against, or measured by, the production or the value, or proceeds, of the production therefrom and there are no suits, actions, claims, investigations, written inquiries, proceedings or demands pending with respect to any such taxes.

Section 5.25. Employment Agreements. Section 5.25 of the Disclosure Schedule (as supplemented from time to time with the written consent of Required Lenders (given or withheld in their discretion)) sets forth a true, correct and complete list of all employment contracts or agreements, golden parachute agreements and change of control agreements, and employee-related non-competition and non-solicitation agreements, in each case to which any Credit Party is a party. The Credit Parties have previously delivered to Administrative Agent true, correct and complete copies of all such agreements, including all amendments thereto. Each such agreement is in writing, is a valid and binding agreement enforceable against the respective parties thereto in accordance with its terms, and no Credit Party or other Person that is a party to any such agreement is in breach of, or in default with respect to, any of its obligations thereunder, nor is any Credit Party aware of any facts or circumstances that might give rise to any breach or default thereunder.

Section 5.26. Transactions with Insiders. No direct or indirect owner of any Equity of any Credit Party or any of its Affiliates, and no associate of any such Person, is, directly or indirectly, a party to any transaction, agreement, arrangement, or understanding, written or oral, with any Credit Party that provides for the employment of, furnishing of services by, rental of real or personal property from, or otherwise requiring payments to any such Person or associate. For purposes of this Section only, an “associate” of any such Person means any member of the immediate family of such Person or any corporation, partnership, trust, or other entity in which such Person has a substantial ownership or beneficial interest (other than an interest in a public corporation that does not exceed three percent of its outstanding securities) or is a director, officer, partner, or trustee or person holding a similar position.

Section 5.27. Compliance with OFAC. No Credit Party or, to the knowledge of any Credit Party, any director, officer, agent, employee or Affiliate of any Credit Party, is currently subject to any U.S. sanctions administered by OFAC.

Section 5.28. Plan of Reorganization. The Plan of Reorganization has been confirmed by the Bankruptcy Court and is in full force and effect. The Confirmation Order is in full force and effect and not subject to appeal. The Plan of Reorganization and the Confirmation Order authorize each Credit Party to execute and deliver each of the Plan Documents and authorize the consummation of the transactions contemplated thereby and the performance of each Credit Party thereunder. Each of the Plan Documents is in full force and effect.

ARTICLE VI

Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Company, and to induce each Lender to enter into this Agreement and make

the Loans, Company warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement and the Commitments hereunder:

Section 6.1. Payment and Performance. Company shall, and shall cause each other Credit Party to, pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and to observe, perform and comply with every covenant, term and condition set forth in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Company shall, and shall cause each other Credit Party to, at all times maintain full and accurate books of account and records in accordance with GAAP. Company shall, and shall cause each Credit Party to, maintain a standard system of accounting in accordance with GAAP, to maintain its Fiscal Year as in effect on the Closing Date and to furnish the following statements and reports to each Lender Party at its own expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, commencing with the Fiscal year ending December 31, 2015, complete Consolidated and consolidating financial statements of Company, together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by an independent certified public accounting firm selected by Company and reasonably acceptable to Administrative Agent, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year, Consolidated statements of income, of cash flows, and of changes in owners' equity for such Fiscal Year and consolidating statements of income for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year.

(b) As soon as available, and in any event within forty-five (45) days after the end of the first three Fiscal Quarters of each Fiscal Year, commencing with the Fiscal Quarter ending September 30, 2015, the Consolidated balance sheet of Company, as of the end of such Fiscal Quarter and Consolidated statements of earnings and cash flows of Company, for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments and the absence of footnotes.

(c) Company will, together with each such set of financial statements under 6.1(a) and (b), furnish a certificate in the form of Exhibit E (a "Compliance Certificate") signed by the chief financial officer of Company (i) stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), (ii) stating that he or she has reviewed the Loan Documents, (iii) containing calculations of the Proved Collateral Coverage Ratio, PDP Collateral Coverage Ratio, Leverage Ratio and Interest Coverage Ratio, and (iv) stating that no Default or Potential Default existed at the end of such Fiscal Quarter or, if any Default did or does exist, specifying the nature and period of existence of any such Default or Potential Default.

(d) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Credit Party to its equity holders and all

registration statements, periodic reports and other statements and schedules filed by any Credit Party with any securities exchange, the SEC or any similar Governmental Authority.

(e) Promptly after any request by Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of any Credit Party by independent accountants in connection with the accounts or books of any Credit Party or any of its Subsidiaries, or any audit of any of them.

(f) Promptly, and in any event within three Business Days after receipt thereof by any Credit Party, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Credit Party or any Subsidiary thereof.

(g) Together with each set of financial statements furnished under subsections (a) and (b) of this Section, Company will furnish (i) an accrued liabilities, accounts payable and receivable aging report (in form reasonably satisfactory to Administrative Agent) of the accrued liabilities, accounts payable and receivable of the Credit Parties. Additionally, Company will furnish a separate accrued liabilities, accounts payable and receivable aging report with respect to any such accounts that are aged 90 days or more, and (ii) a report (in form reasonably satisfactory to Administrative Agent) of all Hedging Contracts of the Credit Parties, setting forth the type, term, effective date, termination date and notional amounts or volumes and the counterparty to each such agreement.

(h) As soon as available, and in any event not less than thirty (30) days before the first day of each Fiscal Quarter, Company shall submit to Administrative Agent an updated business plan and budget that it proposes to become the Approved Business Plan and an updated plan of development with respect to budgeted capital expenditures and other development activities with respect to the Oil and Gas Properties that it proposes to become the Approved Plan of Development, which plans will extend through the 3-month period following the end of the then current ABP and APOD. Upon receipt of such proposed plans and budgets, Administrative Agent shall make available such plans and budgets to the Lenders and each Lender shall have fifteen (15) days to respond to Administrative Agent with its approval or disapproval of such plans and budgets. If, at the end of such fifteen (15) days, any Lender has not communicated its approval or disapproval in writing to Administrative Agent, such silence shall be deemed to be a disapproval of such proposed plans and budgets. If, at the end of such 15-day period, Required Lenders have approved as aforesaid, Administrative Agent shall promptly notify Company of such approval, and such proposed plans and budgets shall take effect upon execution by Administrative Agent and Company of an ABP Certificate or APOD Certificate with respect to such plans and budgets, as applicable. In the event that such plans and budgets do not become effective on or before the first day of any Fiscal Quarter, then no expenditures shall be made with respect to the proposed ABP and no further drilling operations shall be commenced with respect to the proposed APOD; provided that Administrative Agent may, upon the request of Required Lenders in their discretion, submit to Company a substitute business plan and budget for the next 3-month period, in which case such substitute plan and

budget shall take effect upon execution by Administrative Agent and Company of an ABP Certificate or APOD Certificate with respect to such substitute plan and budget, as applicable.

(i) Concurrently with the annual renewal of Company's insurance policies, certificates, schedules and reports required under subsections (c)(5) and (c)(6) of the Insurance Schedule.

(j) As soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter, quarterly operating reports on the Oil and Gas Properties, which shall include a description by field of leasehold operating expenses and of the gross quantities of Hydrocarbons and water produced from the Mortgaged Properties during such quarter, and a description by plant of the volumes of gas processed and treated at such plant, the amounts of natural gas and plant products sold, and the prices received (setting out the elements of such calculation in detail reasonably acceptable to Administrative Agent).

(k) As soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter, a report in detail acceptable to Administrative Agent containing (i) a listing of wells spud, drilled, or completed on the Oil and Gas Properties during the reporting period and (ii) a discussion of any material current operating problems with any wells and any proposed solutions.

(l) An annual Engineering Report, prepared as of December 31 of each year, beginning December 31, 2015, and delivered to Administrative Agent by the following March 31, and an Engineering Report, prepared as of March 31, June 30, and September 30 of each year, beginning March 31, 2016, and delivered to Administrative Agent by the following May 31, August 31, and November 30, respectively. Each such Engineering Report shall:

(i) be prepared at Company's expense by the Independent Company Engineer, concerning all of the Oil and Gas Properties to which Proved Reserves are attributed, provided that each such report prepared as of any March 31 or September 30 may at Company's option be prepared by Company's in-house engineering staff on a well by well basis with respect to each category of reserves therein;

(ii) separately report on Proved Developed Producing Reserves, Proved Developed Nonproducing Reserves and Proved Undeveloped Reserves of the Mortgaged Properties, and separately calculate the NPV10 of each such category of Reserves, provided that each such report prepared as of any March 31 or September 30 may, at Company's option be prepared by Company's in-house engineering staff reporting on such reserves on a well by well basis with respect to each category of reserves therein;

(iii) use Agreed Pricing;

(iv) take into account Company's actual experiences with leasehold operating expenses and other costs in determining projected leasehold operating expenses and other costs;

(v) take into account any "over-produced" status under gas balancing arrangements; and

(vi) otherwise, with respect to each such report prepared by Company's in-house engineering staff as of any March 31 or September 30, be substantially in the form of Exhibit J or any other form approved by Administrative Agent in its discretion, and with respect to each other report, be in such form approved by Administrative Agent in its discretion.

In the event that Company and Administrative Agent disagree over whether or not any workovers or other remedial capital expenditures should be included in an Engineering Report for the purposes of calculating NPV10, the engineers preparing the report shall resolve such disagreement by determining whether such expenditures are likely to be required in accordance with prudent industry practice and shall include or exclude such expenditures based upon such determination. Upon Administrative Agent's receipt of each such Engineering Report, the Independent Lender Engineer shall review such report and make any adjustments thereto that it in its discretion deem appropriate or advisable. The Credit Parties acknowledge and agree that (i) the Independent Lender Engineer has been retained by Administrative Agent, (ii) its services, reports, findings, and conclusions are rendered or delivered, as applicable, solely for the benefit of the Lender Parties, and (iii) the Credit Parties shall not be entitled to rely upon or otherwise disclose any such information.

(m) Promptly after request therefor by Administrative Agent, a list, by name and address, of those Persons who have purchased production during such Fiscal Quarter from the Mortgaged Properties, in form and substance reasonably satisfactory to Administrative Agent.

(n) As soon as available, and in any event within three (3) Business Days after the end of each calendar week, an itemized Consolidated statement of cash receipts, cash payments, and ending cash balance for Company for such calendar week, all in such detail as may be required by Administrative Agent in its discretion.

(o) Promptly after request therefor by Administrative Agent, such additional information regarding the business, financial, legal or corporate affairs of any Credit Party, or compliance with the terms of the Loan Documents, as Administrative Agent or any Lender may from time to time reasonably request.

(p) Promptly after the furnishing thereof, copies of any statement, report or notice furnished to any Person (other than routine communications and notices, such as borrowing requests) pursuant to the Second Lien Credit Agreement and not otherwise required to be furnished to Administrative Agent or Lenders pursuant to any other provision of the Loan Documents.

Section 6.3. Other Information and Inspections. Company shall, and shall cause each other Credit Party to, furnish to each Lender any information which Administrative Agent may from time to time reasonably request concerning any provision of the Loan Documents, any Collateral, or any matter in connection with the businesses, properties, prospects, financial condition and operations of any Credit Party, including all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Credit Party in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining

thereto. Company shall, and shall cause each other Credit Party to, at the expense of Company, permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Credit Party's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and Company shall, and shall cause each other Credit Party to, permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. Company will promptly notify each Lender Party in writing, stating that such notice is being given pursuant to this Agreement, of:

- (a) the occurrence of any Material Adverse Change,
- (b) the occurrence of any Default or Potential Default,
- (c) the acceleration of the maturity of any Indebtedness in excess of \$500,000 owed by any Credit Party or of any default by any Credit Party under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound,
- (d) the occurrence of any Termination Event,
- (e) any claim of \$500,000 or more, any notice of potential liability under any Environmental Laws that might exceed such amount, or any other material adverse claim, in each case that is asserted against or affects any Credit Party or any Credit Party's properties,
- (f) the filing of any suit or proceeding against any Credit Party in which an adverse decision could reasonably be expected to cause a Material Adverse Change,
- (g) to the extent not previously disclosed to Administrative Agent in writing, promptly upon the acquisition thereof, a listing of any Oil and Gas Property acquired by any Credit Party,
- (h) any bona fide offer in respect of a sale, transfer, lease, exchange or other Disposition of any property or assets of any Credit Party by the Trustee in accordance with the Plan Documents (other than any such Dispositions permitted under Section 7.5),
- (i) the occurrence of any "Default" or "Event of Default" as such terms are defined in the Second Lien Credit Agreement; and
- (j) promptly upon receipt thereof, all demands or material notices given or received by Company or on its behalf in connection with the Permitted Second Lien Debt or any Permitted Refinancing.

Upon the occurrence of any of the foregoing Company shall, and shall cause each other Credit Party to, take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Company will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty (20) Business Days prior to the date that any Credit Party changes its name or the location of its chief executive office or its location under the Uniform Commercial Code.

Section 6.5. Maintenance of Properties. Company shall, and shall cause each other Credit Party to, maintain, preserve, protect, and keep all Collateral and all other property used or useful in the conduct of its business in good condition (normal wear and tear excepted) and in accordance with prudent industry standards, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be conducted at all times consistent with prudent industry practices. All Collateral is, and will remain, located on property subject to a Mortgage, except for that portion thereof which is or shall be located elsewhere in the course of the normal operation of such properties or for Hydrocarbons being sold in the ordinary course of business. Company shall, and shall cause each other Credit Party to, maintain, good and defensible title to the fee interests in real property and the oil and gas leasehold interests comprising the Collateral, free and clear of all Liens except for Permitted Liens.

Section 6.6. Maintenance of Existence and Qualifications. Company shall, and shall cause each other Credit Party to, maintain and preserve, in full force and effect, (i) its existence and good standing under the Laws of its jurisdiction of organization and (ii) its rights and franchises and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify could reasonably be expected to cause a Material Adverse Change; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.4.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Company shall, and shall cause each other Credit Party to, (a) timely file all material required tax returns including any extensions; (b) timely pay all material taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property before the same become delinquent; (c) within ninety (90) days past the original invoice billing date therefor (but in no event more than 30 days past the due date thereof) pay all Liabilities owed by it on and after the Petition Date on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) subject to the Plan of Reorganization, pay and discharge when due all other Liabilities now or hereafter owed by it, other than royalty payments suspended in the ordinary course of business; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Credit Party may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings and has set aside on its books adequate reserves therefor that are required by GAAP.

Section 6.8. Insurance.

(a) Company shall, and shall cause each other Credit Party to, (i) maintain insurance (including comprehensive general liability, and hazard insurance) with responsible and reputable insurance companies or associations having Best's ratings of A-, Class XIII or higher with respect to its business and properties (including all real properties leased or owned by it), in such amounts and covering such risks as required by any Governmental Authority having jurisdiction with respect thereto and as carried generally in accordance with sound business practice by similarly situated companies in similar businesses, and, in any event in amount, adequacy and scope as required by the Insurance Schedule or as reasonably requested by Administrative Agent. If any Credit Party fails to maintain such insurance, Administrative Agent or any Lender may arrange for such insurance, but at Company's expense and without any responsibility on the part of Administrative Agent or any Lender for obtaining the insurance, the solvency of the insurance companies, the adequacy of the coverage, or the collection of claims. Upon the occurrence and during the continuance of an Event of Default, Administrative Agent shall have the sole right (both in the name of Lenders and in the name of any Credit Party), to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

(b) On or prior to the Closing Date and thereafter, upon request of Administrative Agent, Company shall, and shall cause each other Credit Party to, furnish or cause to be furnished to Administrative Agent from time to time a summary of the respective insurance coverage of such Credit Party in form and substance reasonably satisfactory to Administrative Agent, and, if requested, will furnish Administrative Agent copies of the applicable policies. Company shall, and shall cause each other Credit Party to cause any insurance policy maintained by such Credit Party (i) to provide that such policy may not be cancelled or reduced for any reason without 30 days prior notice to Administrative Agent, (ii) to name Administrative Agent as an additional insured (in the case of all liability insurance policies) and loss payee (in the case of all casualty and property insurance policies), (iii) to reflect Administrative Agent as mortgagee, (iv) to contain an unrepaid damage clause, and (v) to provide for such other matters as any Lender Party may reasonably require.

(c) All insurance payments received from any Casualty Event with respect to any Collateral and all other insurance payments in respect of such Collateral shall be paid to Administrative Agent and shall be applied to the prepayment of the Obligations in accordance with Section 2.7(a) unless otherwise agreed to by Administrative Agent and Company.

Section 6.9. Performance on Company's Behalf. If any Credit Party fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same. Company shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder that is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. In addition to its obligations to pay interest on the Loans (and any past due interest thereon) at the Default Rate as and when provided in Section 2.5, Company hereby promises to each Lender Party to pay interest at the Default Rate on all other Obligations that Company has in this Agreement promised to pay to such Lender Party and that are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Law. Company shall, and shall cause each other Credit Party to, perform all material obligations it is required to perform under the terms of each material indenture, mortgage, deed of trust, security agreement, lease, franchise, agreement, contract or other material instrument or obligation to which it is a party or by which it or any of its properties is bound. Company shall, and shall cause each other Credit Party to conduct its business and affairs in material compliance with all Laws applicable thereto. Company shall, and shall cause each other Credit Party to cause all licenses, permits, and authorizations necessary or appropriate for the conduct of its business and the ownership and operation of its property used and useful in the conduct of its business, including land use permits, to be obtained and at all times maintained in good standing and in full force and effect. Without limitation of the foregoing, Company shall, and shall cause each other Credit Party to cause all licenses, permits, and authorizations necessary for the construction and operation for commercial production of Hydrocarbons of the third 85 MMBtu/hr steam generator described in the APOD, together with all licenses, permits, and authorizations necessary for the injection of steam from such generator into wells as described in the APOD, and all rights to water use necessary to implement the APOD, to be obtained within 120 days of the Closing Date.

Section 6.12. Separateness Covenants.

(a) Company shall not, nor shall it permit any other Credit Party to, commingle its assets with those of any other Person.

(b) Company shall, and shall cause each other Credit Party to, conduct its business separately and in its own name from any direct or ultimate parent of such Person.

(c) Company shall, and shall cause each other Credit Party to, maintain separate financial accounts, financial statements, books and records from those of any other Person.

(d) Except as expressly permitted under Section 7.9, Company shall, and shall cause each other Credit Party to, maintain an “arm’s-length” relationship with its Affiliates.

(e) Company shall, and shall cause each other Credit Party to, use separate stationery, invoices and checks and will hold itself out as a separate and distinct entity from any other Person.

(f) Company shall, and shall cause each other Credit Party to, observe all normal corporate or company formalities.

(g) Company shall, and shall cause each other Credit Party to, correct any known misunderstanding regarding its separate identity.

(h) Company shall, and shall cause each other Credit Party to, maintain adequate capital in light of its contemplated business operations.

Section 6.13. Environmental Matters; Environmental Reviews.

(a) Company shall, and shall cause each other Credit Party to, comply in all material respects with all Environmental Laws now or hereafter applicable to it, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and will obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations, including those necessary for thermal development, and will maintain such authorizations in full force and effect. Company shall not, nor shall it permit any other Credit Party to, do anything or permit anything to be done that will subject any of the properties of any Credit Party to any remedial obligations under, or result in noncompliance with applicable permits and licenses issued under, any applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances.

(b) Company will promptly furnish to Administrative Agent copies of all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Credit Party, or of which any Credit Party otherwise has notice, with respect to any alleged violation of or non-compliance with any Environmental Laws, with respect to the properties or operations of Company and its Subsidiaries, or with respect to any permits, licenses or authorizations in connection with the ownership or use of such properties or in connection with any such operations.

(c) Company will promptly furnish to Administrative Agent copies of all requests for information, notices of claim, demand letters, and other notifications, received by any Credit Party in connection with the ownership or use of any of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location.

Section 6.14. Evidence of Compliance. Company shall, and shall cause each other Credit Party to, furnish to each Lender at such Credit Party's or Company's expense all evidence that Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Credit Party in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.15. Bank Accounts; Offset. To secure the repayment of the Obligations, Company hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of Company that are now or hereafter held or received by or in transit to any Lender from or for the account of such Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Company with any Lender, and (c) any other credits and claims of Company at any time existing against any

Lender. At any time and from time to time after the occurrence of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to Company), any and all items hereinabove referred to. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.16. Guaranties of Subsidiaries. Company shall, and shall cause each Guarantor, whether now existing or created or hereafter acquired or coming into existence, to promptly execute and deliver a Guaranty to Administrative Agent. Company shall, and shall cause each other Guarantor to, deliver to Administrative Agent, simultaneously with its delivery of any Guaranty, written evidence satisfactory to Administrative Agent and its counsel that such Guarantor has taken all company action necessary to duly approve and authorize its execution, delivery and performance of such Guaranty and any other documents that it is required to execute.

Section 6.17. Agreement to Deliver Security Documents. Company shall, and shall cause each other Grantor to, deliver, to further secure the Obligations whenever requested by Administrative Agent in its discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests (subject only to Permitted Liens) in any real or personal property now owned or hereafter acquired by any Grantor. Company shall, and shall cause each other Grantor to, deliver, whenever requested by Administrative Agent, in its discretion, transfer orders or letters in lieu thereof with respect to the production and proceeds of production from the Collateral, in form and substance reasonably satisfactory to Administrative Agent. Company shall, and shall cause each other Grantor to, deliver, whenever requested by Administrative Agent in its discretion, favorable title opinions from legal counsel acceptable to Administrative Agent with respect to any Grantor's properties and interests designated by Administrative Agent, based upon abstract or record title examinations to dates acceptable to Administrative Agent and (a) stating that such Grantor has good and defensible title to such properties and interests, free and clear of all Liens other than Permitted Liens, (b) confirming that such properties and interests are subject to Security Documents securing the Obligations that constitute and create legal, valid and duly perfected first deed of trust or mortgage liens in such properties and interests and first priority assignments of and security interests in the oil and gas attributable to such properties and interests and the proceeds thereof (in each case, subject only to Permitted Liens), and (c) covering such other matters as Administrative Agent may request. Company shall, and shall cause each other Grantor to, deliver duly executed control agreements from each institution holding any of its or their Deposit Accounts pursuant to which such institution recognizes Administrative Agent's Lien in such Deposit Accounts and, upon the occurrence and during the continuance of a Default, agrees to transfer collected balances in all such Deposit Accounts to Administrative Agent pursuant to its instructions from time to time; provided that no such control agreement shall be required with respect to Deposit Accounts that are designated solely as (i) payroll funding accounts or (ii) royalty or joint interest owner accounts in which only funds that do not belong to a Grantor are deposited.

Section 6.18. Production Proceeds. Notwithstanding that, by the terms of the various Security Documents, the Grantors are and will be assigning to Administrative Agent and Lenders

all of the “Production Proceeds” (as defined in the Mortgages) accruing to the property covered thereby, so long as no Default has occurred the Grantors may continue to receive from the purchasers of production all such Production Proceeds into the Collateral Account, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence of an Event of Default, Administrative Agent and Lenders may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Production Proceeds then held by the Grantors or to receive directly from the purchasers of production all other Production Proceeds. In no case shall any failure (whether before or after any Event of Default and whether purposed or inadvertent) by Administrative Agent or Lenders to collect directly any such Production Proceeds constitute in any way a waiver, remission or release of any of their rights under the Security Documents, nor shall any release of any Production Proceeds by Administrative Agent or Lenders to any Grantor constitute a waiver, remission, or release of any other Production Proceeds or of any rights of Administrative Agent or Lenders to collect other Production Proceeds thereafter.

Section 6.19. Leases and Contracts; Performance of Obligations. Company shall, and shall cause each other Grantor to, maintain in full force and effect all oil, gas or mineral leases, contracts, servitudes and other agreements forming a part of any Oil and Gas Property, which constitutes Collateral, to the extent the same cover or otherwise relate to such Oil and Gas Property, and each will timely perform all of its obligations thereunder, provided that this sentence shall not prevent any Grantor from abandoning and releasing any such leases with the prior written consent of Required Lenders (i) upon their termination as the result of cessation of production in paying quantities that did not result from the failure of any Grantor to maintain such production as a reasonably prudent operator or (ii) if a reasonably prudent operator would abandon or release such lease (as determined without considering the effect of any Mortgage or Royalty Conveyance). Company shall, and shall cause each other Grantor to, properly and timely pay all rents, royalties and other payments due and payable under any such leases, contracts, servitudes and other agreements, or under the Permitted Liens, or otherwise attendant to its ownership or operation of any Oil and Gas Property which constitutes Collateral. Except as set forth in Section 6.19 of the Disclosure Schedule, no Grantor will account for any royalties, or overriding royalties or other payments out of production, on a basis (other than delivery in kind) less favorable to such Grantor than the proceeds received by such Grantor (calculated at the well) from sale of production without the prior written consent of Required Lenders.

Section 6.20. Approved Plan of Development & Approved Business Plan. Company shall, and shall cause each other Grantor to, operate and carry out its businesses and expenditures in compliance with the APOD and ABP. Company will obtain and pay for the services of all engineering and professional staff and other Persons needed to prudently execute the Approved Plan of Development.

Section 6.21. Updates of Mortgages & Royalty Conveyances. Until the Loans have been paid in full, Company shall, and shall cause each other Grantor to, as they acquire new Oil and Gas Properties (or earn any such new Oil and Gas Properties pursuant to farmout or exploration agreements), amend and supplement the Security Documents to make such new Oil and Gas Properties subject thereto and grant new Royalty Conveyances (or, at Royalty Owner’s election, supplement a then existing Royalty Conveyance) conveying a Royalty in and to such Oil and Gas Properties to Royalty Owner. Such instruments shall be delivered (a) within fifteen

(15) days after any Grantor acquires or earns any Oil and Gas Properties and (b) within fifteen (15) days after delivery of each Engineering Report, with respect to any Oil and Gas Properties to which Proved Reserves are attributed but not properly covered by a Mortgage and a Royalty Conveyance. The effective date of each such instrument will be the effective date of the conveying Grantor's acquisition of its interests in the properties subject to such instrument.

Section 6.22. Material Contracts. Company shall, and shall cause each other Credit Party to, perform and observe in all material respects all of the terms and provisions of each Material Contract to be performed or observed by it within any grace period applicable thereto and, in accordance with prudent business practices, enforce its rights under each Material Contract, and, upon request by Administrative Agent, make to each other party to each such Material Contract such requests for information and reports as any Credit Party is entitled to make under such Material Contract.

Section 6.23. Second Lien Loan Documents. Company shall, and shall cause each other Credit Party to, pay all amounts due under the Second Lien Loan Documents to which it is a party, in accordance with the terms thereof and to observe, perform and comply with every covenant, term and condition set forth in the Second Lien Loan Documents to which it is a party.

ARTICLE VII

Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Company, and to induce each Lender to enter into this Agreement and make the Loans, Company warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement and the Commitments hereunder:

Section 7.1. Indebtedness. Company shall not, nor shall it permit any other Credit Party to, in any manner, owe or be liable for Indebtedness except:

- (a) the Obligations;
- (b) unsecured Indebtedness among the Grantors, which Indebtedness must be unconditionally subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent in its discretion;
- (c) Indebtedness in respect of Capital Leases and purchase money obligations for fixed or capital oil and gas assets in an aggregate principal amount not to exceed \$1,000,000 at any time;
- (d) Hedging Contracts permitted under Section 7.3;
- (e) subject to the terms of the Intercreditor Agreement, obligations incurred under the Second Lien Loan Documents; provided that the aggregate principal amount of loans under the

Second Lien Loan Documents do not to exceed \$[_____] ⁵ (the “Permitted Second Lien Debt”), and any Permitted Refinancing thereof;

(f) Indebtedness in respect of plugging and abandonment Liabilities of any Credit Party in the ordinary course of its oil and gas business;

(g) unsecured Indebtedness in an aggregate principal amount not to exceed \$1,000,000 at any time; and

(h) other unsecured Indebtedness associated with bonds or surety obligations required by Law or third parties in connection with the operation of the Oil and Gas Properties.

Section 7.2. Limitation on Liens. Except for Permitted Liens, Company shall not, nor shall it permit any other Credit Party to, create, assume or permit to exist any Lien upon any of the properties or assets that it now owns or hereafter acquires.

Section 7.3. Limitation on Hedging Contracts and Marketing Arrangements. Company shall not, nor shall it permit any other Credit Party to, be a party to or in any manner be liable on any Hedging Contract, except for (a) the Hedging Contracts described in the Disclosure Schedule, and (b) other contracts that may be approved from time to time by Required Lenders, in their sole and absolute discretion, with an Approved Counterparty. Except for production sales contracts, processing agreements, transportation agreements and other agreements relating to the marketing of production that are either listed in Section 5.21 of the Disclosure Schedule in connection with the Oil and Gas Properties to which such contract or agreement relates or assumed after the Closing Date as part of the acquisition of the Oil and Gas Properties subject thereto, Company shall not, nor shall it permit any other Credit Party to, enter into any contractual or other arrangement for the sale, processing or transportation of production (or otherwise related to the marketing of production) that cannot be canceled by such Credit Party on 120 days’ (or less) notice or that does not provide for the prices to be paid for such production to float with the market at least as often as monthly.

Section 7.4. Limitation on Mergers, Issuances of Securities; Subsidiaries.

(a) No Credit Party shall create or own any Foreign Subsidiary. Company shall not, nor shall it permit any other Subsidiary to, merge or consolidate with or into any other Person or business entity.

(b) Company shall not issue any additional Equity. Company shall not permit any of its Subsidiaries to (a) issue any additional Equity except to Company or another wholly-owned Subsidiary of Company, or (b) except as permitted in Section 7.5, allow any diminution of Company’s ownership interest (direct or indirect) therein.

⁵ NTD: Amount to be inserted on the Closing Date. Amount to include \$372,000,000 of principal, \$51,868,202.05 of accrued and unpaid interest thereon (as of October 26, 2015), and a daily accrual of \$132,493.15 thereafter.

Section 7.5. Limitation on Dispositions of Property. Company shall not, nor shall it permit any other Grantor to, Dispose of any of its Oil and Gas Properties or other material assets or properties or any material interest therein, except for:

(a) equipment that is worthless or obsolete or worn out in the ordinary course of business, which is no longer used or useful in the conduct of its business or which is replaced by equipment of equal suitability and value;

(b) inventory (including oil and gas sold as produced and seismic data) that is sold in the ordinary course of business on ordinary trade terms;

(c) Royalties granted to Royalty Owner pursuant to Royalty Conveyances;

(d) Royalties granted to Royalty Owner pursuant to Royalty Conveyances (as such terms are defined in the Second Lien Credit Agreement) pursuant to the Second Lien Credit Agreement.

Company shall not, nor shall it permit any other Grantor to, abandon or consent to the abandonment of, any oil or gas well constituting Collateral so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations that it would be commercially feasible to conduct) of producing oil, gas, or other Hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of any Mortgage or Royalty Conveyance). Company shall not, nor shall it permit any other Grantor to, elect not to participate in a proposed operation on any Oil and Gas Properties constituting Collateral to which Proved Reserves are attributed where the effect of such election would be the forfeiture either temporarily (e.g., until a certain sum of money is received out of the forfeited interest) or permanently of any interest in the Collateral, except with the written approval of Administrative Agent. Company shall not, nor shall it permit any other Grantor to, discount, sell, pledge or assign any notes payable to it, accounts receivable or future income except under the Loan Documents.

Section 7.6. Limitation on Distributions. Company shall not, nor shall it permit any other Credit Party to, declare, make or pay any Distribution, other than the following:

(a) Distributions payable to Company or to Grantors that are Subsidiaries of Company, to the extent not in violation of the investment restrictions of Section 7.7;

(b) cash Distributions by Company to Trust to pay the actual and necessary costs of administering Trust then due and to fund Permitted Tax Distributions, provided that (i) Company is treated as a pass through entity for federal income tax purposes and (ii) no Default then exists or would result therefrom.

For purposes of this Section 7.6, a “Permitted Tax Distribution” means a cash Distribution to Trust, calculated with respect to the Fiscal Quarter most recently ended, and shall equal the product of (i) the maximum federal, state and local income tax rate applicable to corporations as in effect for the taxable year in question (the “Rate”), multiplied by (ii) the excess of the amount of Company’s estimated taxable income for such quarter over Company’s cumulative net loss for all prior taxable periods (the excess of the net losses for all prior periods over the net income for

all prior periods) allocated to Trust. Distributions with respect to the fourth Fiscal Quarter shall be based on the estimated taxable income of Company for the entire taxable year and shall take into account the prior quarterly distributions for such year. To the extent that Company's actual taxable income for any Fiscal Year exceeds the sum of the foregoing quarterly estimates for such year, then, if all conditions outlined above in this Section 7.6 remain satisfied, Company shall be entitled to make an additional Distribution to Trust calculated in the manner provided above based on the actual taxable income of Company. To the extent that Company's actual taxable income for any Fiscal Year is less than the sum of the foregoing quarterly estimates for such year, Company shall provide notice to Trust and Trust shall promptly pay to Company, an amount equal to the excess of the Permitted Tax Distributions actually made for such year over the amount that would have been made if calculated in the manner provided above on Company's actual taxable income.

Section 7.7. Limitation on Investments, Acquisitions and New Businesses. Company shall not, nor shall it permit any other Grantor to:

(a) conduct any operations or acquire any asset or property except in connection with or incidental to the Approved Business Plan, the Approved Plan of Development or the operation of its present properties or as otherwise permitted by Section 7.15;

(b) make any expenditure or commitment, incur any obligation, or enter into or engage in any transaction except in connection with or incidental to the Approved Business Plan, the Approved Plan of Development or the operation of its present properties in the ordinary course of business or as otherwise permitted by Section 7.15;

(c) acquire or form any new or additional Subsidiary; or

(d) make any Investments in any Person, other than (i) Permitted Investments and (ii) Investments in any Grantor, or hold any Permitted Investments in any "securities account" (as defined in the UCC).

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, Company shall not, nor shall it permit any other Credit Party to, extend credit, make advances or make loans other than loans resulting in Indebtedness permitted under Section 7.1(b).

Section 7.9. Transactions with Affiliates. Company shall not, nor shall it permit any other Credit Party to, enter into any transaction of any kind with any of its Affiliates, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to such Credit Party as would be obtainable by such Credit Party at the time in a comparable arm's length transaction with a Person other than an Affiliate, except for executing, delivering, and performing obligations under the Loan Documents.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents or the Second Lien Loan Documents, Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction (direct or indirect) on the ability of any of its Subsidiaries to: (a) pay dividends or make other distributions to Company, (b) to redeem Equity held in it by Company, (c) to repay loans and other indebtedness owing by it to Company, or (d) to transfer

any of its assets to Company. Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction (direct or indirect) on its ability to create, incur or permit to exist any Lien upon any of its property or assets. Company shall not, nor shall it permit any other Credit Party to, enter into any “take-or-pay” contract or other contract or arrangement for the purchase of goods or services that obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it; provided that the foregoing shall not apply to firm transportation contracts for gas sales in the ordinary course of business and not entered into for speculative purposes. Company shall not, nor shall it permit any other Credit Party to, amend or permit any amendment to any contract or lease that releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any Multiemployer Plan or any plan subject to Section 4064 of ERISA.

Section 7.11. Amendments to Organizational Documents. Company shall not, nor shall it permit any other Credit Party to, (i) enter into or permit any modification of its certificate or articles of incorporation, limited liability company agreement, partnership agreement, articles of organization, bylaws, regulations, or other organizational documents or (ii) waive any of its rights under any such document or agreement.

Section 7.12. Material Contracts. Company shall not, nor shall it permit any other Credit Party to, (i) enter into any Material Contract, (ii) cancel or terminate any Material Contract (or consent to or accept any cancellation or termination thereof), other than the termination of a Material Contract that terminates or expires by its own terms, or (iii) amend or otherwise modify any Material Contract or give any consent, waiver or approval thereunder, or waive any breach of or default under any Material Contract, in each case without the prior written consent of Required Lenders (given or withheld in their discretion). Company shall not, nor shall it permit any other Credit Party to, take any action (or omit to take any action) in connection with any Material Contract that would materially impair the value of the interests or rights of any Credit Party thereunder or that would materially impair the interest or rights of Administrative Agent and/or Lenders hereunder or under any other Loan Document.

Section 7.13. [Reserved].

Section 7.14. [Reserved].

Section 7.15. Capital Expenditures. Company shall not, nor shall it permit any other Credit Party to, make or become legally obligated to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding normal replacements and maintenance which are properly charged to current operations), except for APOD Capital Expenditures. Company shall not, nor shall it permit any other Credit Party to, spud a new well or otherwise commence drilling operations on any well located on acreage that is subject to an oil and gas lease without obtaining a drilling title opinion with respect thereto in form and substance consistent with the title opinions required to be delivered pursuant to Section 6.17.

Section 7.16. Compliance with OFAC. Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, use the proceeds of the Loans hereunder, or lend,

contribute or otherwise make available such proceeds, to any Affiliate or other Person or entity, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

Section 7.17. Business and Activities of Trust. Trust shall not incur any Indebtedness, own or acquire any assets (other than the Equity of Company or any assets incidental thereto) or engage in any operations or business, other than (a) activities and contractual rights incidental to the maintenance of its existence as a trust with the primary purpose of liquidating its assets in accordance with Treasury Regulation § 301.7701-4(d) and (b) performance of its obligations under the Trust Declaration, the Confirmation Order and Plan of Reorganization, including its obligations under the Loan Documents to which it is a party. Notwithstanding anything to the contrary in this Agreement, except as permitted under the Confirmation Order and the Plan of Reorganization, Trust shall not (i) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (ii) sell or otherwise Dispose of any Equity of Parent, except as permitted by this Agreement; or (iii) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 7.18. Business and Activities of Parent. Parent shall not incur any Indebtedness, own or acquire any assets (other than the Equity of its direct Subsidiaries or any assets incidental thereto) or engage in any operations or business, other than (a) activities and contractual rights incidental to the maintenance of its corporate existence and being a holding company and (b) performance of its obligations under the Loan Documents. Notwithstanding anything to the contrary in this Agreement, Parent shall not (i) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (ii) sell or otherwise Dispose of any Equity of Company; or (3) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 7.19. General and Administrative Expenses. The Credit Parties will not permit their monthly aggregate general and administrative expenses to exceed the general and administrative expenses of the Credit Parties approved as ABP Overhead Costs for such month. The Credit Parties will not incur or otherwise become liable for the payment of management fees or management consulting fees, except as consented to by Administrative Agent in its discretion.

ARTICLE VIII

Events of Default and Remedies

Section 8.1. Events of Default. Each of the following constitutes an Event of Default under this Agreement:

(a) any Credit Party fails to pay any principal component of any Obligation when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) any Credit Party fails to pay any interest or any other Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of

a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within two Business Days after the same becomes due;

(c) any Credit Party fails to duly observe, perform or comply with any covenant, agreement, or provision of Section 6.4, 6.8, 6.10, 6.17, 6.20 or Article VII;

(d) any Credit Party or Trust fails to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party (other than as referred to in subsections (a), (b), or (c) of this section), and such failure remains unremedied for a period of thirty (30) days after the earlier to occur of (i) notice of such failure is given by Administrative Agent to Company and (ii) such Credit Party otherwise becomes aware of such failure;

(e) any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Credit Party in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be, or any Credit Party declares any Loan Document not to be, valid, binding and enforceable for any reason other than its release by Administrative Agent;

(f) Trust or any Credit Party shall fail to duly observe, perform or comply with any material covenant, agreement, condition or provision of the Trust Declaration, the Confirmation Order or the Plan of Reorganization;

(g) (i) Any Credit Party fails to pay any portion, when such portion is due, of any Permitted Second Lien Debt or any Permitted Refinancing thereof, or any other Indebtedness with a stated amount in excess of \$1,000,000, or (ii) any "Event of Default" as such term is defined in the Second Lien Credit Agreement shall have occurred, or any Credit Party otherwise breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness described in the foregoing clause (g)(i) is issued, evidenced, governed, or secured, and any such failure, breach or default continues beyond any applicable period of grace provided therefor;

(h) (i) a Termination Event occurs which, when taken together with all other Termination Events that have occurred, has resulted or would reasonably be expected to result in, liability of any Credit Party in an aggregate amount in excess of \$1,000,000 or (ii) any other event or condition shall occur or exist with respect to a Plan or a Multiemployer Plan and such event or condition, together with all other such events or conditions and Termination Events, if any, would reasonably be expected to cause a Material Adverse Change;

(i) a Change of Control occurs;

(j) any Credit Party or Trust:

(i) suffers the entry against it of a judgment, decree or order for relief by a Governmental Authority of competent jurisdiction in an involuntary proceeding commenced under any applicable Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it that remains undismissed for a period of thirty (30) days; or

(ii) commences a voluntary case under any applicable Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally not paying (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate, company or other action authorizing any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets or of any part of the Collateral in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty (30) days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of \$1,000,000 (not covered by insurance subject to customary deductibles), unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Governmental Authority against all or any substantial part of its assets or any part of the Collateral, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(k) there occurs under any Hedging Contract an Early Termination Date (as defined in such Hedging Contract) or other similar event resulting from (i) any event of default under such Hedging Contract as to which a Credit Party is the Defaulting Party (as defined in such Hedging Contract) or (ii) any "Termination Event" (as defined in such Hedging Contract) or other similar event under such Hedging Contract as to which a Credit Party is an "Affected Party" (as defined in such Hedging Contract) and, in either event, the Swap Termination Value owed by such Credit Party or such Subsidiary as a result thereof is greater than \$1,000,000;

(l) any Security Document shall for any reason fail to create a valid and perfected first priority Lien (subject to Permitted Liens) in any Collateral purported to be covered thereby, except as permitted by the terms of any Security Document, or any Security Document shall fail to remain in full force or effect or any action shall be taken by Trust or any Credit Party or any Person acting on its or their behalf to discontinue or to assert the invalidity or unenforceability of any Security Document;

(m) any action, suit or legal, equitable, arbitral or administrative proceeding shall be commenced by any beneficiary of Trust against Trust or the Trustee, including any such action concerning a sale of any Collateral or the administration of the Trust;

(n) The Plan of Reorganization shall cease to be in full force and effect or the Confirmation Order shall be revoked, vacated, modified or otherwise cease to be in full force and effect;

(o) the adoption or taking effect of Measure P or any similar Law; and

(p) Required Lenders shall deem themselves insecure, believing that the prospect of payment or performance of any of the Obligations is impaired or shall fear deterioration, removal or waste of any of the Collateral.

Upon the occurrence of an Event of Default described in subsection (j)(i), (j)(ii) or (j)(iii) of this section with respect to a Credit Party, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Company and each other Credit Party who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans hereunder shall be automatically and permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Required Lenders, Administrative Agent shall), without notice to Company or any other Credit Party, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Company and each other Credit Party who at any time ratifies or approves this Agreement. Remedies. If any Event of Default shall occur and be continuing, Required Lenders, or Administrative Agent at the direction of Required Lenders, may protect and enforce their rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity. All notice and cure periods provided in this Agreement or in any other Loan Document shall run concurrently with any notice or cure periods provided by applicable Law.

Section 8.3. Application of Proceeds After Acceleration. After the acceleration of the Maturity Date or after the Loans have otherwise automatically become immediately due and payable, any amounts received on account of the Secured Obligations shall be applied by Administrative Agent, in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Administrative Agent (including fees and time charges for attorneys who may be employees of Administrative Agent) and amounts payable under Article III) payable to Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal or interest or settlement/termination payments in respect of Secured Hedging Obligations) payable to Lenders and Secured Third Party Hedge Counterparties (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them and the Lender;

Third, to payment of that portion of the Secured Obligations constituting accrued and unpaid interest on the Loans and ordinary course settlement payments on the Secured Hedging Obligations, ratably among Lenders and the Secured Third Party Hedge Counterparties in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Secured Obligations constituting unpaid principal of the Loans and termination payments under Hedging Contracts giving rise to Secured Hedging Obligations, ratably among Lenders and the Secured Third Party Hedge Counterparties in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Secured Obligations have been indefeasibly paid in full, to Company or as otherwise required by Law;

provided that, to the extent that any Excluded Swap Obligations exist with respect to any Guarantor, monies or property received from such Guarantor or from the proceeds of any Collateral provided by such Guarantor may not be shared with the Secured Third Party Hedge Counterparties to the extent that doing so would violate the Commodity Exchange Act (but to the maximum extent allowed under applicable law the amounts received or recovered from the other Credit Parties will instead be allocated to the Secured Third Party Hedge Counterparties as necessary to achieve the overall ratable applications of monies and property intended by this Section but for this proviso).

Administrative Agent shall have no responsibility to determine the existence or amount of Secured Hedging Obligations and may reserve from the application of amounts under this Section amounts distributable in respect of Secured Hedging Obligations until it has received evidence satisfactory to it of the existence and amount of such Secured Hedging Obligations.

ARTICLE IX

Administrative Agent

Section 9.1. Appointment and Authority. Each of the Lenders hereby irrevocably appoints CLMG Corp. to act on its behalf as Administrative Agent hereunder and under the other Loan Documents and authorizes Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of Administrative Agent and the Lenders, and

neither Company nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, including their negligence of any kind, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the Person whose name is set forth on the Register as the holder of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such Person and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Credit Party or to inspect the property (including the books and records) of any Credit Party; (e) shall not be responsible to any other Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Credit Party or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of the Credit Parties and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. Each Lender agrees to indemnify Administrative Agent (to the extent not reimbursed by Company within ten (10) days after demand) from and against such Lender's Applicable Percentage of any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against Administrative Agent growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise, and including any violation or noncompliance with any Environmental Laws by any Person or

any liabilities or duties of any Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs that is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Applicable Percentage of any costs and expenses to be paid to Administrative Agent by Company under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Company as provided in such section.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Credit Party or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Company or otherwise, obtain payment of a portion of the aggregate Obligations owed to it that, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of Liabilities other than the Obligations. Company expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together

with interest, if any, if interest is required pursuant to the order of a Governmental Authority order to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds that it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds that are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Credit Party shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Company. Each such notice shall set forth the date of such resignation. Upon any such resignation, Required Lenders shall have the right to appoint a successor Administrative Agent. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective only when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its future duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Potential Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or Company referring to this Agreement, describing such Default or Potential Default and stating that such notice is a "notice of default." Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Potential Default as may be directed by Required Lenders in accordance with Article IX; provided, however, that unless and until Administrative Agent has received any such direction, Administrative Agent may (but shall not be obligated to) take such action, or refrain

from taking such action, with respect to such Default or Potential Default as it shall deem advisable or in the best interest of Lenders.

Section 9.11. Limitation of Liability. Administrative Agent and its respective officers, directors, employees, agents, attorneys-in-fact and affiliates shall not: (a) be liable for any action taken or omitted to be taken by any of such Persons or for any error in judgment under or in connection with this Agreement, the Notes and the Security Documents, except for any such Person's gross negligence or willful misconduct as determined in a final judgment by a court of competent jurisdiction; or (b) be responsible in any manner to any Lender or any other Person for any failure of any other party to perform its obligations under this Agreement, the Notes and the Security Documents. Notwithstanding anything in this Agreement to the contrary, in no event shall the liability of Administrative Agent or any Lender with respect to any action taken or omitted to be taken by it or for any error in judgment under or in connection with this Agreement exceed the lesser of (i) \$1,000,000 and (ii) the direct or actual damages (as opposed to Special Damages) resulting therefrom.

Section 9.12. Reliance upon Documentation. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or any telephone conversation believed by Administrative Agent to be genuine and correct and to have been signed, sent, made or spoken by the proper person or persons, and upon the advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent.

ARTICLE X

Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy that such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. Each waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Credit Party shall in any case of itself entitle any Credit Party to any other or further notice or demand in similar or other circumstances. No waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents (other than the Royalty Conveyances, which are governed by the provisions thereof) shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Company, by Company, (ii) if such party is Administrative Agent, by Administrative Agent, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of such Lender with the written consent of such Lender. Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment that would: (1)

waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.1(e)), (2) increase the maximum amount that such Lender is committed hereunder to lend, (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note (other than the waiver of default interest), (4) extend the Maturity Date, or postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Required Lenders" or otherwise change the aggregate amount of Applicable Percentages that is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Company from its obligation to pay such Lender's Obligations or any Credit Party from its guaranty of such payment except as specifically permitted by the Loan Documents, (7) release any Collateral, except for such releases relating to sales or Dispositions of property permitted by the Loan Documents, or (8) amend this Section 10.1(a).

(b) Amendment Consideration. Neither Company nor any of its Affiliates will, directly or indirectly, request or negotiate for, or offer or pay any remuneration or grant any security as an inducement for, any proposed amendment or waiver of any of the provisions of this Agreement or any of the other Loan Documents unless each Lender is informed thereof by Company, is afforded the opportunity of considering the same, is supplied by Company and any other party hereto with sufficient information to enable it to make an informed decision with respect thereto, and is offered (and, if such offer is accepted, paid) such remuneration and granted such security on the same terms.

(c) Acknowledgments and Admissions. Each Credit Party that is a party to this Agreement hereby represents, warrants, acknowledges and admits that:

(i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party,

(ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof,

(iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof,

(iv) no Lender Party has any fiduciary obligation toward it with respect to any Loan Document or the transactions contemplated thereby,

(v) the relationship pursuant to the Loan Documents between the Credit Parties, on one hand, and the Lender Parties, on the other hand, is and shall be solely that of debtor and creditor, respectively, provided that, solely for purposes of Section 10.6(c), Administrative Agent shall act as Administrative Agent of Company in maintaining the Register as set forth therein,

(vi) no partnership or joint venture exists with respect to the Loan Documents between any Credit Party and any Lender Party,

(vii) Administrative Agent is not any Credit Party's Administrative Agent, but Administrative Agent for Lenders, provided that, solely for purposes of Section 10.6(c), Administrative Agent shall act as Administrative Agent of Company in maintaining the Register as set forth therein,

(viii) Thompson & Knight LLP, Hunton & Williams L.L.P., and White & Case LLP are counsel for the Administrative Agent and are not counsel for any Credit Party,

(ix) should an Event of Default or Default occur or exist, each Lender Party will determine in its discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time,

(x) without limiting any of the foregoing, no Credit Party is relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and

(xi) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

(d) Joint Acknowledgments. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of the Credit Parties' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Company are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Credit Party to any Lender Party under any Loan Document shall be deemed representations and warranties by Company or agreements and covenants of Company under this Agreement. The representations, warranties, indemnities, and covenants made by the Credit Parties in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception

set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions that are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Company and the Credit Parties at the address of Company specified below and to each Lender Party, at the address specified below (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail; provided, however, that no Borrowing Notice shall become effective until actually received by Administrative Agent. Electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Section 6.2, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

If to Company or any other Credit Party:

ERG Resources, L.L.C.
 [Address]
 Attention: [_____]

Telephone: [_____]

Facsimile: [_____]

If to Administrative Agent:

CLMG Corp.
 7195 Dallas Parkway
 Plano, Texas 75024
 Attention: James Erwin
 Telephone: (469) 467.5414
 Facsimile: (469) 467.5550
 Email: jerwin@clmgcorp.com

If to Lender:

LNV Corporation
1970 Village Center Circle, Suite 1
Las Vegas, Nevada 89134
Attention: Jacob Cherner
Telephone: (469) 467-5563
Facsimile: (972) 309-3563
Email: jcherner@csginvestments.com

with a copy to:

CLMG Corp.
7195 Dallas Parkway
Plano, Texas 75024
Attention: James Erwin
Telephone: (469) 467.5414
Facsimile: (469) 467.5550
Email: jerwin@clmgcorp.com

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Company will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document or transaction referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent and Royalty Owner (including fees and expenses of attorneys, consultants, reserve engineers, accountants, the Environmental Advisor, the Insurance Advisor, the Independent Lender Engineer, and other advisors, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all amendments, consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, re-filing and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refiled or re-recorded by the terms of any Loan Document, (3) any action reasonably required in the course of administration hereof, or (4) monitoring or confirming (or preparation or negotiation of any document related to) any Credit Party's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all costs and expenses incurred by or on behalf of any Lender Party or any Royalty Owner (including fees and expenses of attorneys, consultants, reserve engineers, accountants, the Environmental Advisor, the Insurance Advisor and other advisors, travel costs, court costs, and miscellaneous expenses) in connection with the preservation of any rights under the Loan Documents, the exercise or enforcement of any rights or remedies under the Loan Documents (including this section), or the defense of any such exercise or enforcement.

(b) Indemnity. Each Credit Party agrees to indemnify each Lender Party and each other Indemnatee, upon demand, from and against any and all liabilities, obligations, broker's fees, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Indemnatee growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise), provided that this Section 10.4(b) shall not apply with respect to taxes other than any taxes that represent losses or damages arising from any non-tax claim. Among other things, the foregoing indemnification covers all liabilities and costs incurred by any Indemnatee related to any breach of a Loan Document by a Credit Party, any bodily injury to any Person or damage to any Person's property, or any violation or noncompliance with any Environmental Laws by any Indemnatee or any other Person or any liabilities or duties of any Indemnatee or any other Person with respect to Hazardous Materials found in or released into the environment.

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE (IN EACH CASE WHETHER ALLEGED, ARISING OR IMPOSED IN A LEGAL PROCEEDING BROUGHT BY OR AGAINST ANY CREDIT PARTY, ANY INDEMNITEE, OR ANY OTHER PERSON),

provided only that no Indemnatee shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs that is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. If any Person (including Company or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Indemnatee, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct.

Section 10.5. Joint and Several Liability. All Obligations that are incurred by two or more Credit Parties shall be their joint and several obligations and liabilities.

Section 10.6. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither Company nor any other Credit Party may assign or otherwise transfer any of its rights or obligations under any Loan Document without the prior written consent of Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance

with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment and the Loans at the time owing to it); provided that:

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes the Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption Agreement, as of the Trade Date) shall not be less than \$1,000,000, unless Administrative Agent otherwise consents;

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned; and

(iii) the parties to each assignment shall execute and deliver to Administrative Agent an Assignment and Assumption Agreement, together with the Note subject to such assignment and a processing and recordation fee of \$3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to Administrative Agent an Administrative Questionnaire in form satisfactory to Administrative Agent.

Subject to acceptance and recording thereof by Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits, and subject to the requirements of, of Sections 3.2, 3.4, 3.5 and 10.4 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this

subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement and a register for the recordation of the names and addresses of Lenders and the Commitments of, and principal amount of the Loans owing to, each Lender from time to time (the “Register”). The entries in the Register shall be conclusive, in the absence of manifest error, and Company and each Lender Party shall treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes. The Register shall be available for inspection by Company or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, Company or Administrative Agent, sell participations to any Person (other than Company or any of Company’s Affiliates) (each, a “Participant”) in all or a portion of such Lender’s rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender’s obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) Company, Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the fifth sentence of Section 10.1(a) that affects such Participant. Subject to subsection (e) of this Section, Company agrees that each Participant shall be entitled to the benefits of, and subject to the requirements of, Sections 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 6.15 as though it were a Lender, provided such Participant agrees to be subject to Section 9.6 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant’s interest in the Loans or other obligations under the Loan Documents (the “Participant Register”); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant’s interest in any Commitment, Loans or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.2 and 3.5 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Company's prior written consent. No Participant shall be entitled to the benefits of Section 3.5 unless such Participant complies with Section 3.5(c) and (d) as if it were a Lender (it being understood that the documentation required under Section 3.5(c) and (d) shall be delivered to the participating Lender).

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, the Federal Home Loan Bank or other institutional lenders; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.7. Confidentiality. Each of Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to a Credit Party and its obligations, (g) with the consent of Company, or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to Administrative Agent, any Lender, or any of their respective Affiliates on a nonconfidential basis from a source other than a Credit Party.

For purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or its business, other than any such information that is available to Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Credit Party, provided that, in the case of information received from any Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 10.8. Governing Law; Submission to Process.⁶

(a) EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

(b) ADMINISTRATIVE AGENT AND LENDERS MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. COMPANY HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT COMPANY FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, COMPANY SHALL NOT SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SHALL EITHER OF THEM SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH ADMINISTRATIVE AGENT OR ANY LENDER ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

(c) COMPANY HEREBY MAKES THE FOREGOING SUBMISSIONS, AGREEMENTS, CONSENTS AND WAIVERS ON BEHALF OF AND WITH RESPECT TO EACH OF ITS SUBSIDIARIES, AND EACH GUARANTOR (BY ITS EXECUTION OF A GUARANTY OF THIS AGREEMENT) HEREBY ALSO MAKES SUCH SUBMISSIONS, AGREEMENTS, CONSENTS AND WAIVERS FOR ITSELF.

⁶ NTD: Under review by Lender Parties.

Section 10.9. Limitation on Interest. The Lender Parties, the Credit Parties and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither any Credit Party nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents that may be in conflict or apparent conflict herewith. The Lender Parties expressly disavow any intention to contract for, charge, or collect excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender Party or any other holder of any or all of the Obligations shall otherwise collect moneys that are determined to constitute interest that would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be charged by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender Party's or other holder's option, promptly returned to Company or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, the Lender Parties and the Credit Parties (and any other payors thereof) shall to the greatest extent permitted under applicable Law (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully contract for, charge, or receive the maximum amount of interest permitted under applicable Law.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the Loan Documents may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto or thereto by such means shall constitute execution and delivery hereof or thereof.

Section 10.12. Third Party Beneficiaries. Company agrees that each Indemnitee that is not a signatory to this Agreement (collectively, the “Third Party Beneficiaries”) is an express and intended third party beneficiary of the representations, agreements and promises made in this Agreement, which are made for the benefit of Lenders, Administrative Agent and each Third Party Beneficiary (which benefits are immediate and not incidental). Except as stated above in this section, there are no third party beneficiaries of this Agreement.

Section 10.13. USA PATRIOT Act Notice. Pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001), and as from time to time amended, herein called the “Patriot Act”), each Lender Party that is subject to the Patriot Act hereby notifies Company that it is required to obtain, verify and record information that identifies Company, which information includes the name and address of Company and other information that will allow such Lender Party to identify Company in accordance with the Patriot Act.

Section 10.14. Waiver of Jury Trial, Punitive Damages, etc. **COMPANY AND EACH LENDER PARTY THAT IS A PARTY TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:**

(a) **WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND ANY SUCH PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ALL SUCH PARTIES TO A WAIVER OF ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY,**

(b) **WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY “SPECIAL DAMAGES” AS DEFINED BELOW,**

(c) **CERTIFIES THAT NO PARTY HERETO AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,**

(d) **ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION, AND**

(e) AGREES THAT IN NO EVENT WILL ANY LENDER PARTY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH LENDER PARTY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

COMPANY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THIS AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

Section 10.15. Intercreditor Agreement. Reference is made to the Intercreditor Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Company, CLMG Corp., as First Lien Administrative Agent (as defined therein), and CLMG Corp., as Second Lien Administrative Agent (as defined therein). Each Lender hereunder (a) acknowledges that it has received a copy of the Intercreditor Agreement, (b) agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement as if it was a signatory thereto and (c) authorizes and instructs Administrative Agent to enter into the Intercreditor Agreement as Administrative Agent and on behalf of such Lender.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

COMPANY:

ERG RESOURCES, L.L.C.

By: _____

Name:

Title:

ADMINISTRATIVE AGENT:

CLMG CORP.

By: _____

Name:

Title:

LENDER:

LVN CORPORATION

By: _____

Name:

Title:

SCHEDULE 1

DISCLOSURE SCHEDULE

Section 5.7

Other Liabilities and Restrictions; Material Contracts

Material Contracts:

1. Second Lien Loan Documents.
2. [Describe any contract operating agreement entered into by the Credit Parties in connection with the Plan of Reorganization]
3. [list any others]

Hedging Contracts (all with BP Energy Company as counterparty):

Hedge Instrument	Date	Strike Price	Volume
Brent Cal Month Swap Option (Call)	September 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	October 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	November 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	December 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	January 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	February 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	March 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	April 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	May 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	June 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	July 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	August 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	September 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	October 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	November 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	December 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	January 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	February 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	March 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	April 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	May 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	June 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	July 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	August 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	September 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	October 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	November 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	December 2017	\$90.00 per bbl	46,000 bbl

Section 5.9

Litigation

[none]

Section 5.10

Labor Disputes and Acts of God

[none]

Section 5.11

ERISA Plans and Liabilities

[none]

Section 5.12

Environmental and Other Laws

[none]

Section 5.14

Names and Places of Business

The Company and the Credit Parties have had the following addresses in addition to its current address during the last 5 years:

500 Dallas, Suite 2850
Houston, Texas 77002

Three Allen Center
333 Clay Street, Suite 4400
Houston, Texas 77002

Section 5.15

Subsidiaries and Capital Structure

Subsidiary	Owner	Percentage
West Cat Canyon, L.L.C.	Company	100%
ERG Operating Company, LLC	Company	100%
ERG Interests, LLC	Company	100%

Section 5.21

Marketing Arrangements

none

Section 5.22

Right to Receive Payment for Future Production

[none]

Section 5.23

Operation of Oil and Gas Properties

[none]

Section 5.24

Ad Valorem and Production Taxes

[none]

Section 5.25

Employment Agreements

none

Section 6.19

Leases and Contracts

none

SCHEDULE 2

SECURITY SCHEDULE

1. Pledge Agreement dated as of the date hereof executed by Trust in favor of Administrative Agent.
2. Guaranty dated as of the date hereof executed by the Guarantors in favor of Administrative Agent.
3. Security Agreement dated as of the date hereof executed by the Grantors in favor of Administrative Agent.
4. Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of the date hereof from Company to Lawrence C. Adams, Trustee, for the benefit of Administrative Agent.
5. [Amended and Restated] Deposit Account Control Agreement among Company, Citibank, N.A., as depository, and Administrative Agent, as secured party.
6. UCC-1 Financing Statements related to the foregoing.

SCHEDULE 3

INSURANCE SCHEDULE(A) Insurance by Company:

Company shall procure (or cause to be procured) and maintain in full force and effect at all times on and after the Closing Date (unless otherwise specified below) and continuing throughout the term of this Agreement, insurance policies with insurance companies authorized to do business where operations are conducted (if required by law or regulation) with (i) a A.M. Best rating of “A-” or better and an financial size category of “IX” or higher, (ii) a S&P financial strength rating of “A-” or higher, or (iii) other companies acceptable to Administrative Agent, with limits and coverage provisions sufficient to satisfy Company’s material contracts, but in no event less than provisions set forth below.

- (1) Workers’ Compensation Insurance: Workers’ compensation insurance as required by applicable Laws. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (2) Employer’s Liability Insurance: Employer’s liability insurance for Company’s liability arising out of injury to or death of employees of Company in the amount of \$1,000,000 per accident. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (3) General Liability Insurance: Liability insurance on an occurrence basis against claims for Company’s liability arising out of claims for personal injury (including bodily injury and death) and property damage. Such insurance shall provide coverage for products-completed operations, liability assumed under contract, broad form property damage, personal injury, underground resources and equipment and independent contractors with a \$1,000,000 minimum limit per occurrence for combined bodily injury and property damage. The policy shall not exclude coverage for action over claims without limitations as respects the sole negligence of Additional Insured. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (4) Automobile Liability Insurance: Automobile liability insurance for Company’s liability arising out of claims for bodily injury and property damage covering all owned (if any), leased, non-owned and hired vehicles of Company, including loading and unloading, with a \$1,000,000 minimum limit per accident for combined bodily injury and property damage and containing appropriate no-fault insurance provisions wherever applicable. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (5) Pollution Liability Insurance: Pollution liability insurance, in an amount not less than \$1,000,000 per occurrence insuring for (i) bodily injury or property damage arising out of sudden and accidental pollution, and (ii) cleanup of pollutants on

Company's premises or which have migrated beyond Company's premises. A maximum deductible or self-insured retention of \$100,000 per occurrence or as approved by Administrative Agent shall be allowed.

- (6) Excess Liability Insurance: Excess liability insurance on an occurrence basis covering claims in excess of the underlying insurance described in the foregoing subsections (2), (3), (4) and (5), with a \$10,000,000 minimum limit per occurrence. Such excess liability shall also include coverage for bodily injury or property damage to third parties arising out of sudden and accidental off-site pollution. The policy shall drop down to cover exhausted primary policies with a self-insured retention not to exceed \$25,000.

The amounts of insurance required in the foregoing subsections (2), (3), (4), (5), and this subsection (6) may be satisfied by Company purchasing coverage in the amounts specified or by any combination of primary and excess insurance, so long as the total amount of insurance meets the requirements specified above.

- (7) Aircraft Liability Insurance: If Company uses an aircraft (fixed wing or helicopter) that is owned, operated or chartered by Company, Aircraft liability insurance for liability arising out of the operation of such aircraft. The insurance shall be provided for a combined single limit not less than \$15,000,000 each occurrence and such limit shall apply to bodily injury (including passengers) and property damage liability. Such insurance shall (i) name Administrative Agent, on behalf of the Lender Parties, as additional insured, (ii) include an insurer's waiver of subrogation in favor of the additional insureds, (iii) state that it is primary insurance as regards the additional insureds and (iv) contain a cross-liability or severability of interest clause. In the event the aircraft hull is insured such insurance shall provide for an insurer's waiver of subrogation rights in favor of Company. In the event Company charters aircraft, the foregoing insurance and evidence of insurance may be furnished by the owner of the aircraft.
- (8) Operators Excess Expense Insurance (Control of Well): Company is required to maintain this type of coverage with limits of no less than 3 times the original Dry Hole Cost of any well To Be Drilled, Re-entered or Workover and no less than \$1,000,000 limit for all other wells. Coverage shall include Well Control expenses (related to producing wells), Sudden & Accidental Pollution, Evacuation Expenses, and Replacement Cost Redrill. The policy shall provide Care, Custody and Control with a sub-limit no less than \$1,000,000 and shall include coverage for damage to drilling/workover rigs caused by "unsound locations". The policy will have a Priority of Payments Clause, and claims shall be paid in the following order; (1) Well Control, (2) Restoration and Redrill, and (3) Pollution.
- (9) Property Damage Insurance: Property damage insurance including coverage against damage or loss caused by earth movement (including but not limited to earthquake, landslide, subsidence and volcanic eruption), and windstorm. When available, Company should insure for Replacement Cost Value.

- (a) Property Insured: Company shall provide coverage for property owned, by or in the care, custody and control of Company, or in which the Company has any interest, including, but not limited to gas plants, production equipment, including coverage during any exploration and drilling activities with values equal to or greater than \$25,000 Replacement Cost Value.
- (b) Deductibles: The property damage deductibles shall not exceed \$100,000 unless previously approved by Administrative Agent.
- (c) Unrepaired Damages: The property damage policy shall not restrict claims for payment based solely on Company's election not to undertake or complete any repair or replacement for damaged property following any such damage or loss.

(B) Amendment of Requirements:

- (1) Amendment by Administrative Agent: Administrative Agent may at any time amend the requirements and approved insurance companies of this Section due to (i) new information not known by the Lender Parties on the Closing Date which poses a material risk to Company's assets or business, (ii) changed circumstances after the Closing Date which in the reasonable judgment of Administrative Agent renders such coverage materially inadequate, or (iii) inflationary factors and other changes in valuations. Promptly following the receipt of a notice from Administrative Agent, Company will from time to time make such modifications to the amounts of any insurance policy as Administrative Agent specifies in that notice to take account of the foregoing.

(C) Company Conditions and Requirements:

- (1) Loss Notification: Company shall promptly notify Administrative Agent of any single loss or event likely to give rise to a claim against an insurer for an amount in excess of \$100,000 covered or not covered by any insurance maintained pursuant to this schedule
- (2) Loss Adjustment and Settlement: A loss under the insurance policies providing property damage shall be adjusted with the insurance companies, including the filing in a timely manner of appropriate proceedings, by Company, subject to the approval of Administrative Agent if such loss is in excess of \$500,000. In addition Company may in its reasonable judgment consent to the settlement of any loss, provided that in the event that the amount of the loss exceeds \$500,000 the terms of such settlement is concurred with by Administrative Agent.
- (3) Compliance With Policy Requirements: Company shall not violate or permit to be violated any of the conditions, provisions or requirements of any insurance policy required by this Section, and Company shall perform, satisfy and comply with, or cause to be performed, satisfied and complied with, all conditions, provisions and requirements of all insurance policies.

- (4) Waiver of Subrogation: Company hereby waives any and every claim for recovery from any Lender Party for any and all loss or damage covered by any of the insurance policies to be maintained under this Agreement to the extent that such loss or damage is recovered under any such policy. If the foregoing waiver will preclude the assignment of any such claim to the extent of such recovery, by subrogation (or otherwise), to an insurance company (or other person), Company shall give written notice of the terms of such waiver to each insurance company which has issued, or which may issue in the future, any such policy of insurance (if such notice is required by the insurance policy) and shall cause each such insurance policy to be properly endorsed by Company thereof to, or to otherwise contain one or more provisions that, prevent the invalidation of the insurance coverage provided thereby by reason of such waiver.
- (5) Evidence of Insurance: Prior to the Closing Date and on an annual basis at least 10 days prior to each policy anniversary, Company shall furnish Administrative Agent with (1) certificates of insurance or binders, in a form acceptable to Administrative Agent, evidencing all of the insurance required by the provisions of this Section and (2) a schedule of the insurance policies held by or for the benefit of Company and required to be in force by the provisions of this Section. Upon request, Company will promptly furnish Administrative Agent with copies of all insurance policies, binders and cover notes or other evidence of such insurance relating to the insurance required to be maintained by Company.
- (6) Reports: Concurrently with the furnishing of the certification referred to in Section (5), Company shall furnish Administrative Agent with a report of Company's insurance broker, signed by an officer of the broker, stating that in the opinion of such broker, the insurance then carried or to be renewed is in accordance with the terms of this Section and attaching an updated copy of the schedule of insurance required by Section (5) above.

In addition Company will advise Administrative Agent in writing promptly of (1) any material changes in the coverage or limits provided under any policy required by this Section and (2) any default in the payment of any premium and of any other act or omission on the part of Company which may invalidate or render unenforceable, in whole or in part, any insurance being maintained by Company pursuant to this Section.

(D) Insurance Policy Conditions and Requirements

- (1) Policy Cancellation and Change: All policies of insurance required to be maintained pursuant to this Section shall be endorsed so that if at any time they are canceled, or their coverage is reduced (by any party including the insured) so as to affect the interests of the Lender Parties, such cancellation or reduction shall not be effective as to the Lender Parties for 60 days, except for non-payment of premium which shall be for 10 days, after receipt by Administrative Agent of written notice from such insurer of such cancellation or reduction.

- (2) Separation of Interests: All policies (other than in respect to workers compensation insurance) shall insure the interests of the Lender Parties regardless of any breach or violation by Company or any other Person of warranties, declarations or conditions contained in such policies, any action or inaction of Company's or others, or any foreclosure relating to the business or assets of Company or any change in ownership of all or any portion of such business or assets.
- (3) Waiver of Subrogation: All policies of insurance to be maintained by the provisions of this Section shall provide for waivers of subrogation in favor of the Lender Parties and their respective officers and employees.
- (4) Endorsements: All policies of insurance referred to in this Schedule shall be endorsed to name the Lender Parties and their respective officers and employees as Additional Insureds.

All policies of Liability insurance referred to in this Agreement shall be endorsed as follows:

- (i) To provide a severability of interests and cross liability clause;
 - (ii) That the insurance shall be primary and not excess to or contributing with any insurance or self-insurance maintained by Credit Parties.
- (5) Payment of Loss Proceeds: All policies of insurance required to be maintained pursuant to subsections (A) 8, and (A) 9 shall provide that the proceeds of such policies shall be payable solely to Administrative Agent.

(E) Acceptable Policy Terms and Conditions:

All policies of insurance required to be maintained pursuant to this Section shall contain terms and conditions reasonably acceptable to Administrative Agent after consultation with the Insurance Advisor.

References in this Schedule 3 to "Company" shall be deemed to include the Credit Parties.

SCHEDULE 4

LENDERS SCHEDULE

Lender	Commitment	Applicable Percentage
LNV Corporation	\$150,000,000	100 %
Total	\$150,000,000	100%

EXHIBIT A-1

FORM OF NOTE

\$ _____, 201__

FOR VALUE RECEIVED, ERG Resources, L.L.C., a Texas limited liability company (“Company”), hereby promises to pay to _____ or its registered assigns (the “Lender”), in the manner provided in the Revolving Credit Agreement referred to below, the principal sum of [_____] Dollars and [_____] Cents (\$_____) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by Lender to Company under the Revolving Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on or before the Maturity Date. The undersigned also promises to pay to the Lender hereof interest on the unpaid principal amount of this Note, in like money, at the rate set forth in, and payable in accordance with that certain Revolving Credit Agreement, as amended, modified or supplemented from time to time, dated as of [_____] 2015 (the “Credit Agreement”) (capitalized terms used but not defined herein shall have the meanings ascribed to them in the Credit Agreement), among Company, CLMG Corp., as Administrative Agent, and certain Lenders identified therein.

This Note is one of the “Notes” issued pursuant to the Credit Agreement. Payments of interest shall be computed in accordance with the Credit Agreement, and payments of interest and principal shall be payable at the times and in the amounts provided in the Credit Agreement, until this Note shall be paid in full. Payments of interest are to be made in lawful money of the United States of America.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest which, under applicable Law, may be contracted for, charged, or received on this Note, and this Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of this Note upon the terms and conditions specified therein.

This Note is entitled to the benefits provided in the Loan Documents to the extent provided therein.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Company and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys’ fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Company and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Note, protest, notice of protest, notice of intention to accelerate the maturity of this Note, declaration or notice of acceleration of the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

GOVERNING LAW; CHOICE OF FORUM; SERVICE OF PROCESS.⁷ THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

LENDER MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS NOTE OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS NOTE OR THE CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. COMPANY HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THIS NOTE BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT COMPANY FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, COMPANY SHALL NOT SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SHALL IT SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH LENDER ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

[Signature Page Follows]

⁷ NTD: Under review by the Lender Parties.

WAIVER OF JURY TRIAL. COMPANY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATED TO THIS NOTE, THE CREDIT AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS NOTE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF COMPANY TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT B

FORM OF BORROWING NOTICE

Reference is made to that certain Revolving Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

1. Company hereby requests a Borrowing of new Loans to be advanced in accordance with the provisions of Section 2.3 of the Credit Agreement as follows:

Aggregate amount of Loans in Borrowing:	\$ _____
Date on which Loans are to be advanced:	_____

The proceeds of this Borrowing shall be applied as detailed below:

*[Insert wire instructions and any specific applications of the loan proceeds (which must be in compliance with Section 2.4 of the Credit Agreement).]

2. Company hereby certifies as follows:
 - (a) All representations and warranties made by any Person in any Loan Document are true in all respects on and as of the date of the requested Borrowing as if such representations and warranties had been made as of the date of such Borrowing, (except to the extent that such representation or warranty was made as of a specific date, in which case such representation or warranty was true and correct in all respects as of such specific date).
 - (b) No Default exists on the date hereof, nor will any Default result from the proposed Loan or from the application of proceeds thereof.
 - (c) No Material Adverse Change has occurred, and no event or circumstance has occurred, that could reasonably be expected to cause a Material Adverse Change.
 - (d) No “Default” or “Event of Default” under any Second Lien Loan Document exists on the date hereof, nor will any such “Default” or “Event of Default” result from the proposed Loan or from the application of proceeds thereof.
 - (e) All of the other conditions set forth in Sections 4.1 and 4.2 of the Credit Agreement have been satisfied.
 - (f) The Borrowing is to be used solely for the purposes described in Section 2.4 of the Credit Agreement.

- (g) The Loan Documents have not been modified, amended or supplemented by any unwritten representations or promises, by any course of dealing, or by any other means not provided for in Section 10.1 of the Credit Agreement. The Credit Agreement and the other Loan Documents are hereby ratified, approved, and confirmed in all respects.
 - (h) Attached hereto is a schedule of calculations showing the PDP Collateral Coverage Ratio and the Proved Collateral Coverage Ratio, in each case calculated on a pro forma basis after giving effect to the Borrowing of Loans requested hereby.
3. The above certifications are effective as of the date of this Borrowing Notice and will continue to be effective through and as of the date of the Borrowing. If any of the aforementioned certifications shall no longer be valid as of or prior to the date of the Borrowing requested hereby, Company will immediately notify the Administrative Agent and will repay the amount disbursed upon demand by the Administrative Agent if the Borrowing is made prior to the receipt of such notice.
4. This Borrowing Notice is dated [_____] and is delivered on such date.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT C

[RESERVED]

EXHIBIT D

FORM OF PREPAYMENT NOTICE

Reference is made to that certain Revolving Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among ERG Resources, L.L.C. ("Company"), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

Company hereby provides notice to the Lender Parties in accordance with Section 2.8 of the Credit Agreement that:

1. Company will make a prepayment on the Loans on _____, 20____.⁸
2. On such date Company will prepay \$_____ in respect of the Loans.⁹
3. \$_____ of such amount shall be applied to interest payable pursuant to Sections 2.5 and 3.1 of the Credit Agreement, and \$_____ of such amount shall be applied to principal pursuant to Sections 2.8 and 3.1 of the Credit Agreement.
4. This Prepayment Notice is dated _____ and is delivered on such date.

ERG RESOURCES, L.L.C.

By: _____
 Name:
 Title:

⁸ **Note:** Date of prepayment must occur on a Business Day at least 5 days (but no more than 45 days) after the date of this Prepayment Notice.

⁹ **Note:** If a partial prepayment of outstanding Loans is being made, the aggregate prepayment must be at least \$5,000,000.

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

Reference is made to that certain Revolving Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

This Certificate is furnished pursuant to Section 6.2 of the Credit Agreement. Together herewith, Company is furnishing to Administrative Agent and each Lender Company’s *[audited/unaudited] financial statements (the “Company Financial Statements”) as at _____ (the “Reporting Date”). Company hereby represents, warrants, and acknowledges to Administrative Agent and each Lender that:

(a) The officer of Company signing this instrument is the duly elected, qualified and acting _____ of Company and as such is Company’s chief financial officer.

(b) The Company Financial Statements are accurate and complete and satisfy the requirements of the Credit Agreement.

(c) Attached hereto is a schedule of calculations showing (i) the Proved Collateral Coverage Ratio, (ii) the PDP Collateral Coverage Ratio, (iii) the Leverage Ratio, and (iv) the Interest Coverage Ratio, in each case, as of the Reporting Date.

(d) On the Reporting Date Company was, and on the date hereof Company is, in full compliance with the disclosure requirements of Section 6.4 of the Credit Agreement, and no Default or Potential Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except for [Default(s)] [Potential Default(s)] under Section(s) _____ of the Credit Agreement, which *[is/are] more fully described on a schedule attached hereto].

(e) No Credit Party has changed (i) its name, (ii) its chief executive office, (iii) the type of entity it is, or (iv) its state of organization or formation, without having given the Administrative Agent the notice required by Section 6.4 of the Credit Agreement.

The officer of Company signing this instrument hereby certifies that he or she has reviewed the Loan Documents and the Company Financial Statements, and has otherwise undertaken such inquiry as in his or her opinion is necessary to enable him or her to express an informed opinion with respect to the above representations, warranties and acknowledgments of Company and, to the best of his or her knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

[Signature Page Follows]

IN WITNESS WHEREOF, this Compliance Certificate is executed and delivered as of _____, 20__.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT F-1

FORM OF ABP CERTIFICATE

[Date]

Reference is made to that certain Revolving Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for Administrative Agent and Company to certify the Approved Business Plan (or ABP) that is from time to time in effect under the Credit Agreement.

Company and Administrative Agent hereby certify that the document(s) attached hereto constitute the ABP as currently in effect under the Credit Agreement.

This ABP Certificate is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This ABP Certificate may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same ABP Certificate. This ABP Certificate may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and deliver hereof.

IN WITNESS WHEREOF, this ABP Certificate is executed and delivered as of the date first written above.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT F-2

FORM OF APOD CERTIFICATE

[Date]

Reference is made to that certain Revolving Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for Administrative Agent and Company to certify the Approved Plan of Development (or APOD) that is from time to time in effect under the Credit Agreement.

Company and Administrative Agent hereby certify that the document(s) attached hereto constitute the APOD as currently in effect under the Credit Agreement.

This APOD Certificate is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This APOD Certificate may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same APOD Certificate. This APOD Certificate may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and deliver hereof.

IN WITNESS WHEREOF, this APOD Certificate is executed and delivered as of the date first written above.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT G

[RESERVED]

EXHIBIT H

LEGAL OPINIONS

[See attached.]

EXHIBIT I-1

FORM OF GUARANTY

[See attached.]

EXHIBIT I-2

FORM OF TRUST PLEDGE AGREEMENT

[See attached.]

EXHIBIT J

FORM OF IN-HOUSE ENGINEERING REPORT

[See attached.]

EXHIBIT K

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the “Assignor”) and *[Insert name of Assignee]* (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Revolving Credit Agreement identified below (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender]¹⁰]
3. Borrower: ERG Resources, L.L.C., a Texas limited liability company (“Company”)
4. Administrative Agent: CLMG Corp., as the administrative agent under the Credit Agreement
5. Credit Agreement: Revolving Credit Agreement dated as of [____], 2015 among ERG Resources, L.L.C., the Lenders from time to time party thereto, and CLMG Corp., as Administrative Agent.

¹⁰ Select as applicable.

6. Assigned Interest:

Type of Interest Assigned	Aggregate Amount of such Commitment/Loans for all Lenders	Amount of such Commitment/Loans Assigned ¹¹	Percentage Assigned of such Commitment/Loans ¹²
Commitment	\$	\$	%
Loans	\$	\$	%

7. [Trade Date: _____]¹³

[Signature Page Follows]

¹¹ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

¹² Set forth, to at least nine decimals.

¹³ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR:
[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE:
[NAME OF ASSIGNEE]

By: _____
Name:
Title:

[Consented to and]¹⁴ Accepted:

CLMG CORP., as Administrative Agent

By: _____
Name:
Title:

[Consented to:

ERG RESOURCES, L.L.C., as Company

By: _____
Name:
Title:]¹⁵

¹⁴ To be added only if the consent of Administrative Agent is required by the terms of the Credit Agreement.

¹⁵ To be added only if the consent of the Company is required by the terms of the Credit Agreement.

ANNEX 1 to Assignment and Assumption

ERG RESOURCES, L.L.C.

STANDARD TERMS AND CONDITIONS
FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement) as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iii) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.2 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on Administrative Agent or any other Lender, and (iv) if applicable, attached to the Assignment and Assumption are any Prescribed Forms (as defined in Section 3.5 of the Credit Agreement), duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. This Assignment and Assumption may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and delivery hereof. **This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principals of conflicts of law.**

EXHIBIT L

FORM OF APPROVAL LETTER

Reference is made to the Revolving Credit Agreement, dated as of [____], 2015 (as it may be amended, supplemented or otherwise modified, the “Credit Agreement”), by and among ERG Resources, L.L.C., a Texas limited liability company (“Company”), the Lenders party thereto from time to time, and CLMG Corp., as Administrative Agent. Reference is hereby made to the Credit Agreement for all purposes, and terms defined therein shall have the same meanings when used herein.

The Credit Agreement contemplates that certain Approval Letters may be given from time to time in connection therewith in order to specify certain APOD Capital Expenditures, APB LOE, ABP Overhead Costs, ABP Transportation Costs or ABP Workover Expenditures. This letter is such an Approval Letter and is given by the undersigned in order so to approve the [ABP _____] [APOD Capital Expenditures] that are specified in the schedule attached hereto, which approval shall remain in effect for the time period [(if any)] specified in such schedule. This letter [is in addition to/supersedes] all previous Approval Letters dealing with [ABP _____] [APOD Capital Expenditures].

This letter is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This letter may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Approval Letter.

Please execute a counterpart of this letter in the place provided below to evidence your agreement to the foregoing and your continuing ratification of the Credit Agreement and the other Loan Documents in consideration of the approval herein contained.

Yours truly,

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ACCEPTED AND AGREED TO
as of the date first written above

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

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GUARANTY

dated as of [_____], 2015

of

the Guarantors listed on the signature pages hereof
and that otherwise may become a party hereto

in favor of

CLMG CORP.,
as Administrative Agent

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GUARANTY

THIS GUARANTY is made as of [_____], 2015, by the Persons listed on the signature pages hereof and that may become parties hereto pursuant to Section 9.3, in favor of CLMG CORP., as administrative agent under the Credit Agreement referred to below (“Administrative Agent”) for the benefit of the Guaranteed Parties (as hereinafter defined).

RECITALS

A. On April 30, 2015 (the “Petition Date”), ERG Resources, L.L.C., a Texas limited liability company (“Company”), and the other Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

B. The Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

C. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

D. In connection with the Plan of Reorganization, Company, Administrative Agent and certain lenders (collectively, the “Lenders”) have entered into that certain Revolving Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”) to evidence Lenders’ agreement to extend commercial Loans to Company.

E. In connection with the Plan of Reorganization and in order to induce Lenders to make such Loans pursuant to the Credit Agreement, Company, Administrative Agent and the Lenders desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, the Guarantors agree as follows:

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ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

Section 1.2. Definitions in this Guaranty. The following terms have the following meanings:

“Administrative Agent” has the meaning specified in the preamble.

“Company” has the meaning specified in Recital A.

“Credit Agreement” has the meaning specified in Recital D.

“Guaranteed Documents” means each Loan Document.

“Guaranteed Obligations” means all Obligations of Company under the Loan Documents, including all amounts that constitute part of the Guaranteed Obligations and would be owed by Company to any Guaranteed Party but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Company.

“Guaranteed Parties” means Administrative Agent, the Lenders and any other Person to which Guaranteed Obligations are owing.

“Guarantor” means each Person guarantying the Guaranteed Obligations pursuant to this Guaranty. References to “Guarantor” in this Guaranty are intended to refer to each such Person as if such Person were the only guarantor pursuant to this Guaranty, except:

(a) that references to “any Guarantor” or “each Guarantor” or words of similar import are meant to refer to each Person that is a Guarantor,

(b) that references to “the Guarantors” are meant to refer collectively to all Persons that are Guarantors and

(c) as otherwise may be specifically set forth herein.

“Guaranty” means this Guaranty dated as of [____], 2015, as from time to time amended, supplemented or restated.

“Lenders” has the meaning specified in Recital D.

“Net Worth” has the meaning specified in Section 7.3.

“Organizational Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect

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to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable governmental authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Post-Petition Interest” has the meaning specified in Section 7.1(b).

“Subordinated Obligations” has the meaning specified in Section 7.1.

Section 1.3. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Guaranty

Section 2.1. Guaranty. The Guarantors, jointly and severally, irrevocably, absolutely and unconditionally guarantee to each Guaranteed Party the prompt and complete payment and performance when due, no matter how the same shall become due, of all Guaranteed Obligations.

Section 2.2. Obligation as a Guarantor. If Company shall for any reason fail to pay any Guaranteed Obligation, as and when such Guaranteed Obligation shall become due and payable, whether at its stated maturity, as a result of the exercise of any power to accelerate, or otherwise, Guarantor will, upon written demand by Administrative Agent, pay such Guaranteed Obligation in full to Administrative Agent for the benefit of the Guaranteed Party to which such Guaranteed Obligation is owed. If Company shall for any reason fail to perform promptly any Guaranteed Obligation that is not for the payment of money, Guarantor will, upon written demand by Administrative Agent, cause such Guaranteed Obligation to be performed or, if specified by Administrative Agent, provide sufficient funds, in such amount and manner as Administrative Agent shall in good faith determine, for the prompt, full and faithful performance of such Guaranteed Obligation by Administrative Agent or such other Person as Administrative Agent shall designate in writing. Without limiting the generality of the foregoing, Guarantor will pay all amounts that constitute part of the Guaranteed Obligations and would be owing but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 2.3. Fees and Expenses. The Guarantors, jointly and severally, forthwith upon demand by Administrative Agent, will pay all expenses (including fees and expenses of counsel) incurred by Administrative Agent or any other Guaranteed Party in enforcing against any Guarantor any right under this Guaranty or any other Guaranteed Document.

Section 2.4. Limitation of Liability of Certain Guarantors. Notwithstanding any other provision of this Guaranty, the liability of any Guarantor other than Parent for all obligations under this Guaranty and any other Guaranteed Document to which it is a party shall be limited to the maximum liability that can be incurred by such Guarantor without rendering this Guaranty

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subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal Law.

ARTICLE III

Guaranty Absolute

Section 3.1. Unconditional Guaranty. (a) Guarantor will pay the Guaranteed Obligations strictly in accordance with the terms of the Guaranteed Documents, to the extent permitted by Law regardless of any Law, regulation or order now or hereafter in effect in any jurisdiction affecting any such term or any right of any Guaranteed Party with respect thereto.

(b) This is a guaranty of payment and performance and not of collection. The obligations of Guarantor under or in respect of this Guaranty and each other Guaranteed Document to which Guarantor is a party are independent of the Guaranteed Obligations or any other obligation of any other Credit Party under or in respect of the Guaranteed Documents, and a separate action or actions may be brought and prosecuted against Guarantor to enforce this Guaranty or any other Guaranteed Document to which Guarantor is a party, irrespective of whether any action is brought against Company or any other Credit Party or whether Company or any other Credit Party is joined in any such action or actions.

(c) The obligations of Guarantor under this Guaranty and each other Guaranteed Document to which Guarantor is a party shall not be affected by:

(i) any voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshalling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement, or composition of any Credit Party;

(ii) any other proceeding involving any Credit Party or any asset of any Credit Party under any Law for the protection of debtors; or

(iii) any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceeding against, any Credit Party, any property of any Credit Party, or the estate in bankruptcy of any Credit Party in the course of or resulting from any such proceeding.

Section 3.2. No Release Based on Actions of the Guaranteed Parties. No action that Administrative Agent or any other Guaranteed Party may take or omit to take in connection with any Guaranteed Document, any Guaranteed Obligation (or any other indebtedness owing by Company to any Guaranteed Party), or any collateral security, and no course of dealing between any Guaranteed Party and Company, any Guarantor or any other Person, shall release or diminish Guarantor's Guaranteed Obligations, liabilities, agreements or duties hereunder, affect this Guaranty or any other Guaranteed Document to which Guarantor is a party, or afford Guarantor any recourse against any Guaranteed Party, regardless of whether any such action or inaction may increase any risk to or liability of any Guaranteed Party, Company or any Credit Party or increase any risk to or diminish any safeguard of any collateral security.

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Section 3.3. Waivers. The liability of Guarantor under this Guaranty and each other Guaranteed Document to which Guarantor is a party shall be irrevocable, absolute and unconditional irrespective of, and Guarantor irrevocably waives, for purposes of this Guaranty and each other Guaranteed Document to which Guarantor is a party, any defense that it may now have or hereafter acquire relating to, any or all of the following, (and Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Guaranteed Documents and that the waivers set forth below and otherwise in this Guaranty are knowingly made in contemplation of such benefits):

(a) Any lack of validity or enforceability of any Guaranteed Document, any agreement or instrument relating thereto, any defense arising by reason of any disability or other defense of any other Person other than indefeasible payment in full in cash of the Guaranteed Obligations or the cessation from any cause whatsoever of the liability of any other Person.

(b) Any change in the time, manner or place of payment of, or in any other term of, any Guaranteed Obligation or any other obligation of any other Credit Party in respect of the Guaranteed Documents, or any other amendment or waiver of or any consent to departure from any Guaranteed Document, including any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Credit Party or any of its Subsidiaries or otherwise.

(c) Any taking, exchange, release or non-perfection of any collateral security, or any taking, release or amendment or waiver of, or consent to departure from any other guaranty of any Guaranteed Obligation.

(d) Any manner of application of collateral security, or proceeds thereof, to any Guaranteed Obligation, or any manner of sale or other disposition of any collateral security securing any Guaranteed Obligation or any other obligation of any Credit Party under the Guaranteed Documents or any other asset of any Credit Party or any of its Subsidiaries, and any other obligation to marshal assets.

(e) Any right to require any Guaranteed Party to proceed against any other Person, to exhaust any collateral security for the Guaranteed Obligations, to have any other Person joined with Guarantor in any suit arising out of the Guaranteed Obligations or this Guaranty or to pursue any other remedy in any Guaranteed Party's power.

(f) Any change or restructuring of the corporate structure or termination of the existence of any Credit Party or any of its Subsidiaries.

(g) Any failure of any Guaranteed Party to disclose to any Credit Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party now or hereafter known to such Guaranteed Party (each Guarantor waiving any duty on the part of the Guaranteed Parties to disclose such information).

(h) Any failure of any other Person to execute or deliver this Guaranty, any supplement hereto or any other guaranty or agreement.

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(i) Any release or reduction of the liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations or any other compromise or settlement of the Guaranteed Obligations.

(j) Promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonor and, to the extent permitted by Law, any other notice with respect to any Guaranteed Obligation and this Guaranty.

(k) Any requirement that any Guaranteed Party create or perfect any Lien or protect or insure any property subject thereto.

(l) Any right to revoke this Guaranty or any other Guaranteed Document to which Guarantor is a party.

(m) Any election of remedies by any Guaranteed Party that in any manner impairs, reduces, releases or otherwise adversely affects any collateral security or any subrogation, reimbursement, exoneration, contribution or indemnification right of Guarantor or other right of Guarantor to proceed against any other Credit Party, any other guarantor, any other Person or any collateral security.

(n) Any right of set-off or counterclaim against or in respect of the Obligations of Guarantor hereunder or any other Guaranteed Document to which Guarantor is a party.

(o) Any neglect, failure or refusal to take any action:

(i) for the collection or enforcement of any Guaranteed Obligation,

(ii) to realize on any collateral security,

(iii) to enforce any Guaranteed Document,

(iv) to file or enforce a claim in any proceeding described in Section 3.1(c),

(v) in connection with the administration of any Guaranteed Document or

(vi) otherwise concerning the Guaranteed Obligations or the Guaranteed Documents,

or any delay in taking any such action.

(p) The fact that any Guarantor may have incurred directly any Guaranteed Obligation or is otherwise primarily liable therefor.

(q) Any defense to the recovery by any Guaranteed Party against Guarantor of any deficiency after a judicial or non-judicial sale and any defense or benefit that may be afforded by applicable Law (and in that connection Guarantor acknowledges that Administrative Agent may,

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without notice to or demand upon Guarantor and without affecting the liability of such Guarantor under this Guaranty, foreclose under any mortgage by non-judicial sale).

(r) Any statute of limitations applicable to the Guaranteed Obligations.

(s) To the extent permitted by Law, any other circumstance or any existence of or reliance on any representation by any Guaranteed Party, except for indefeasible payment in full in cash and performance in full of the Guaranteed Obligations, that might otherwise constitute a defense available to, or a discharge of, Guarantor, any Credit Party or any other guarantor or surety.

Section 3.4. Continuing Guaranty; Reinstatement. (a) This Guaranty is a continuing guaranty and shall remain in full force and effect until the latest of:

(i) the indefeasible payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty; and

(ii) the date on which all commitments of the Guaranteed Parties under the Credit Agreement shall terminate and all Loans shall be indefeasibly paid in full.

(b) This Guaranty and each other Guaranteed Document to which Guarantor is a party shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Guaranteed Obligation is rescinded or must otherwise be returned by any Guaranteed Party as a result of the insolvency, bankruptcy or reorganization of any Credit Party or otherwise, all as though such payment had not been made, and the Guarantors jointly and severally will pay such amount to the applicable Guaranteed Party on demand. Any transfer by subrogation that is made as contemplated in Section 7.2 prior to any such payment shall (regardless of the terms of such transfer) be automatically voided upon the making of any such payment or payments, and all rights so transferred shall thereupon automatically revert to and be vested in the Guaranteed Parties.

(c) Upon the consummation of any transaction permitted by the Credit Agreement as a result of which a Guarantor ceases to be a Subsidiary, Administrative Agent will, at such Guarantor's request and expense, execute a written release of this Guaranty with respect to such Guarantor.

ARTICLE IV

Representations and Warranties

Section 4.1. Representations and Warranties. Guarantor represents and warrants to the Guaranteed Parties as follows:

(a) Each representation and warranty made with respect to it in any other Guaranteed Document is true and correct.

(b) Guarantor is an entity of the type specified opposite its name on Schedule 1 (or Schedule 1 to any guaranty supplement delivered by it pursuant to Section 9.3) opposite its name

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and is organized, validly existing and in good standing under the Laws of the jurisdiction specified in such Schedule opposite its name.

(c) Guarantor has, independently and without reliance upon any Guaranteed Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty and each other Guaranteed Document to which it is a party, and Guarantor has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

ARTICLE V

Covenants

Section 5.1. Covenants. Guarantor will, so long as any Guaranteed Obligation shall remain unpaid, or any Guaranteed Party shall have any Commitment, perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements in the Guaranteed Documents on its or their part to be performed or observed or that Company has agreed to cause Guarantor or such Subsidiaries to perform or observe.

ARTICLE VI

Remedies of the Guaranteed Parties

Section 6.1. Exercise of Remedies. Each Guaranteed Party may enforce, from time to time, in any order and at such Guaranteed Party's sole discretion, any right, power or remedy that such Guaranteed Party may have under the Guaranteed Documents or otherwise, including judicial foreclosure, the exercise of a right of power of sale, the taking of a deed or assignment in lieu of foreclosure, the appointment of a receiver to collect rents, issues and profits, the exercise of remedies against personal property, or the enforcement of any assignment of leases, rentals, oil or gas production or other property or right, whether real or personal, tangible or intangible.

Section 6.2. Liability for Deficiencies. Guarantor shall be liable to each Guaranteed Party for any deficiency resulting from the exercise by any Guaranteed Party of any right or remedy, even though any right that Guarantor may have against Company or others may be eliminated or diminished by the exercise of any such right or remedy.

Section 6.3. Delay not a Waiver; Remedies Cumulative. No failure on the part of Administrative Agent or any other Guaranteed Party to exercise, and no delay in exercising, any right under this Guaranty or any other Guaranteed Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Administrative Agent and the other Guaranteed Parties provided in this Guaranty and the Guaranteed Documents are cumulative and are in addition to, and not exclusive of, any other right or remedy provided by Law or otherwise.

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Section 6.4. Right of Set-Off. Guarantor grants to each of the Guaranteed Parties a right of set-off on any and all money, securities and other property (and the proceeds therefrom) of Guarantor now or hereafter held or received by or in transit to any Guaranteed Party from or for the account of Guarantor, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special), credits and claims of Guarantor at any time existing against any Guaranteed Party. Upon the occurrence and during the continuance of an Event of Default, each Guaranteed Party is authorized at any time and from time to time, without notice to Guarantor, to set-off, appropriate and apply any such items against the Guaranteed Obligations and Guarantor's obligations and liabilities hereunder. Each Guaranteed Party will notify Guarantor after any such set-off and application made by it; provided that the failure to give such notice shall not affect the validity of such set-off and application.

ARTICLE VII

Subordination; Subrogation; Contribution

Section 7.1. Subordination. Guarantor subordinates all debts, liabilities and other obligations owed to Guarantor by each other Credit Party (the "Subordinated Obligations") to the Guaranteed Obligations as follows:

(a) Except during the continuance of a Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party) and to the extent permitted by the Credit Agreement, Guarantor may receive regularly scheduled payments from any other Credit Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party), unless Administrative Agent otherwise agrees, Guarantor shall not demand, accept or take any action to collect any payment on account of any Subordinated Obligation.

(b) In any proceeding under any bankruptcy law relating to any other Credit Party, the Guaranteed Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any bankruptcy law, whether or not constituting an allowed claim in such proceeding ("Post-Petition Interest")) before Guarantor receives payment of any Subordinated Obligation.

(c) After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party), Guarantor shall, if Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Guaranteed Parties and deliver such payments to Administrative Agent on account of the Guaranteed Obligations (including all Post-Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

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Section 7.2. Limited Right of Subrogation. (a) Until all Guaranteed Obligations have been indefeasibly paid in full in cash and otherwise performed in full, and all obligations under each other Guaranteed Document to which Guarantor is a party have been paid and performed in full, Guarantor shall have no right of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim against any Credit Party or any collateral security in connection with this Guaranty and the Guaranteed Obligations. Until such time, Guarantor waives any right to enforce any remedy that Guarantor may have against any other Credit Party and any right to participate in any collateral security.

(b) If any amount shall be paid to Guarantor on account of any subrogation or other right, any such other remedy, or any collateral security at any time when all of the Guaranteed Obligations and all other expenses guaranteed pursuant hereto shall not have been paid in full, such amount shall be held in trust for the benefit of the Guaranteed Parties, shall be segregated from the other funds of Guarantor and shall forthwith be paid over to Administrative Agent to be held by Administrative Agent for the benefit of the Guaranteed Parties as collateral security for, or then or at any time thereafter applied in whole or in part by Administrative Agent against, any Guaranteed Obligation, whether matured or unmatured, in such order as Administrative Agent shall elect.

(c) If Guarantor shall have paid off any Guaranteed Obligation and if all of the Guaranteed Obligations shall have been indefeasibly paid in full in cash, Administrative Agent will, at Guarantor's expense and reasonable request, execute and deliver to Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer, without representation or warranty, by subrogation to Guarantor of an interest in the Guaranteed Obligations resulting from such payment by Guarantor; provided that:

(i) such transfer shall be subject to Section 3.4(b), and

(ii) without the consent of Administrative Agent (which Administrative Agent may withhold in its discretion) Guarantor shall not have the right to be subrogated to any claim or right against any Credit Party that has become owned by any Guaranteed Party, whose ownership has otherwise changed in the course of enforcement of the Guaranteed Documents, or that Administrative Agent otherwise has released or wishes to release from its Guaranteed Obligations.

Section 7.3. Right of Contribution. After all Guaranteed Obligations have been indefeasibly paid in full in cash and otherwise performed in full, and all obligations under each other Guaranteed Document to which Guarantor is a party have been paid and performed in full, the Guarantors that have made payments in respect of the Guaranteed Obligations shall be entitled to contribution from the other Guarantors, to the end that all such payments upon the Guaranteed Obligations shall be shared among all such Guarantors in proportion to their respective Net Worths; provided that the contribution obligations of each such Guarantor shall be limited to the maximum amount that it can pay at such time without rendering its contribution obligations voidable under applicable Law relating to fraudulent conveyances or fraudulent transfers. "Net Worth" means, at any time and for any Guarantor:

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(a) the fair value of such Guarantor's assets (other than such right of contribution), minus

(b) the fair value of such Guarantor's liabilities (other than its liabilities under its guaranty of the Guaranteed Obligations).

ARTICLE VIII

Indemnification

Section 8.1. General Indemnification. Without limiting any other obligation of any Guarantor or remedy of the Guaranteed Parties under this Guaranty, the Guarantors shall, jointly and severally, indemnify each Guaranteed Party and each other Indemnatee, upon demand, from and against any and all liabilities, obligations, broker's fees, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Indemnatee growing out of, resulting from or in any other way associated with any of the Collateral, the Guaranteed Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise), provided that this Section 8.1 shall not apply with respect to taxes other than any taxes that represent losses or damages arising from any non-tax claim. Among other things, the foregoing indemnification covers all liabilities and costs incurred by any Indemnatee related to any breach of a Guaranteed Document by a Credit Party, any bodily injury to any Person or damage to any Person's property, or any violation or noncompliance with any Environmental Laws by any Indemnatee or any other Person or any liabilities or duties of any Indemnatee or any other Person with respect to Hazardous Materials found in or released into the environment.

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE (IN EACH CASE WHETHER ALLEGED, ARISING OR IMPOSED IN A LEGAL PROCEEDING BROUGHT BY OR AGAINST ANY CREDIT PARTY, ANY INDEMNITEE, OR ANY OTHER PERSON),

provided only that no Indemnatee shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs that is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. If any Person (including Company or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Indemnatee, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct.

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Section 8.2. Tax Indemnification. Any and all payments made by Guarantor under or in respect of this Guaranty or any other Guaranteed Document shall be made, in accordance with Section 3.5 of the Credit Agreement, free and clear of and without deduction for any present or future Taxes.

ARTICLE IX

Miscellaneous

Section 9.1. Notices. Except as may otherwise be provided in any other Guaranteed Document, any notice or communication required or permitted hereunder or any other Guaranteed Document to which Guarantor is a party shall be given in writing, sent in the manner provided in the Credit Agreement, if to Administrative Agent or to a Guarantor that is a party to the Credit Agreement, to the address set forth in the Credit Agreement and, for any other Guarantor to the address specified opposite its name on Schedule 1, or to such other address or to the attention of such other individual as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

Section 9.2. Amendments and Waivers. No amendment of this Guaranty shall be effective unless it is in writing and signed by Guarantor and Administrative Agent, and no waiver of this Guaranty or consent to any departure by Guarantor herefrom shall be effective unless it is in writing and signed by Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement. No such amendment shall bind any Guarantor not a party thereto, but no such amendment with respect to any Guarantor shall require the consent of any other Guarantor.

Section 9.3. Additional Guarantors. Upon the execution and delivery, or authentication, by any Person of a Guaranty supplement in substantially the form of Exhibit A, such Person shall become a Guarantor hereunder, and each reference in this Guaranty and the other Guaranteed Documents to “Guarantor” shall also mean and be a reference to such Person.

Section 9.4. Severability. Any provision of this Guaranty or any other Guaranteed Document to which Guarantor is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.5. Survival of Agreements. All representations, warranties, covenants and agreements of Guarantor herein and in each other Guaranteed Document to which Guarantor is a party shall survive the execution and delivery of this Guaranty, the execution and delivery of any other Guaranteed Document and the creation of the Guaranteed Obligations.

Section 9.6. Binding Effect and Assignment. This Guaranty and each Guaranteed Document to which Guarantor is a party shall:

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(a) be binding on Guarantor and its successors and permitted assigns, and

(b) inure, together with all rights and remedies of Administrative Agent hereunder, to the benefit of Administrative Agent and the other Guaranteed Parties and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, Administrative Agent and any other Guaranteed Party may (except as otherwise provided in any Guaranteed Document) pledge, assign or otherwise transfer any right under any Guaranteed Document to any other Person, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted herein or otherwise. No right or duty of Guarantor hereunder may be assigned or otherwise transferred without the prior written consent of Administrative Agent.

Section 9.7. Governing Law. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],¹ WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Section 9.8. Final Agreement. This Guaranty and the other Guaranteed Documents represent the final agreement of the Guarantors and the Guaranteed Parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the Guarantors and the Guaranteed Parties.

Section 9.9. Counterparts; Facsimile. This Guaranty and each other Loan Document to which Guarantor is a party may be separately executed in any number of counterparts, all of which when so executed shall be deemed to constitute one and the same Guaranty. This Guaranty and each other Loan Document to which Guarantor is a party may be validly delivered by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

Section 9.10. Acceptance by the Guaranteed Party. By its acceptance of the benefits hereof, the Guaranteed Parties shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 9.11. Limitation on Interest. Section 10.9 of the Credit Agreement, which limits the interest for which Guarantor is obligated, is incorporated herein by reference.

Section 9.12. Jurisdiction, Etc.² THE GUARANTEED PARTIES MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS GUARANTY OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS GUARANTY IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. EACH GUARANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS

¹ NTD: Under review.

² NTD: Under review by Lender Parties.

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THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GUARANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES NORTHERN DISTRICT COURT FOR THE DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GUARANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH ANY GUARANTEED PARTY ORIGINALLY COMMENCED IN THE UNITED STATES NORTHERN DISTRICT COURT FOR THE DISTRICT OF TEXAS.

Section 9.13. Waiver of Jury Trial, Punitive Damages, etc. EACH GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND ANY GUARANTEED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH GUARANTOR UNDER THIS GUARANTY TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES" AS DEFINED BELOW,

(c) CERTIFIES THAT NO GUARANTEED PARTY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY GUARANTEED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH GUARANTEED PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

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(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY, THE OTHER LOAN DOCUMENTS TO WHICH IT THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY GUARANTEED PARTY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH GUARANTEED PARTY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, “SPECIAL DAMAGES” INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Guarantor has executed and delivered this Guaranty as of the date first written above.

ERG INTERMEDIATE HOLDINGS, LLC

By: _____
Name:
Title:

WEST CAT CANYON, L.L.C.

By: _____
Name:
Title:

ERG OPERATING COMPANY, LLC

By: _____
Name:
Title:

ERG INTERESTS, LLC

By: _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST ABOVE-STATED.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

SCHEDULE 1
to
GUARANTY

<u>Name of Guarantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>
ERG Intermediate Holdings, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
West Cat Canyon, L.L.C.	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
ERG Operating Company, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
ERG Interests, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____

EXHIBIT A
to
GUARANTY
FORM OF GUARANTY SUPPLEMENT

_____, 20__

CLMG Corp., as Administrative Agent
on behalf of the Guaranteed Parties referred to
in the Guaranty referred to below
7195 Dallas Parkway
Plano, Texas 75024
Attn: James Erwin

Ladies and Gentlemen:

The undersigned refers to:

- (i) the Revolving Credit Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the “Credit Agreement”) among ERG Resources, L.L.C., a Texas limited liability company, the Lenders party thereto, and you, as administrative agent, and
- (ii) the Guaranty dated as of [____], 2015 (as from time to time amended, supplemented or restated, the “Guaranty”) made by the Guarantors from time to time party thereto in your favor for the benefit of the Guaranteed Parties.

Terms defined in the Credit Agreement or the Guaranty and not otherwise defined herein are used herein as defined, and rules regarding construction, references and titles are as provided, in the Credit Agreement or the Guaranty.

SECTION 1. Guaranty. The undersigned, jointly and severally with the other Guarantors, irrevocably, absolutely, and unconditionally guarantees to each Guaranteed Party the prompt and complete payment and performance when due, and no matter how the same shall become due, of all Guaranteed Obligations and otherwise agrees to be bound in all respects by the Guaranty as if an original Guarantor party thereto, subject to any limitation set forth therein. As of the date first-above written, each reference in the Guaranty to a “Guarantor” shall also mean and be a reference to the undersigned.

SECTION 2. Information Relating to the Undersigned. The undersigned is an entity of the type specified on Schedule 1 and is duly organized, validly existing and in good standing under the Laws of the jurisdiction specified on Schedule 1 and its address for notices is specified on Schedule 1.

SECTION 3. Representations and Warranties. The undersigned as of the date hereof makes each representation and warranty set forth in Section 4.1 of the Guaranty.

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SECTION 4. Governing Law. This Guaranty Supplement shall be governed by, and construed in accordance with, the Laws of the jurisdiction whose Laws the Guaranty provides will govern it. The undersigned hereby knowingly and voluntarily agrees to the choice of law set forth the in Guaranty and to the choice of law incorporated into this Guaranty Supplement as set forth herein.

Very truly yours,

[GUARANTOR]

By _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST-ABOVE STATED.

CLMG CORP., as Administrative Agent
on behalf of the Guaranteed Parties

By _____
Name:
Title:

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SECURITY AGREEMENT

dated as of [____], 2015

of

ERG RESOURCES, L.L.C.,
each other Grantor listed on the signature pages hereof
and each other Grantor that otherwise may become a party hereto

in favor of

CLMG CORP.,
as Administrative Agent

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THIS SECURITY AGREEMENT (this “Agreement”) is made as of [____], 2015, by ERG RESOURCES, L.L.C., a Texas limited liability company (“Company”), and each other Grantor listed on the signature pages hereof and that may become parties hereto pursuant to Section 7.3 in favor of CLMG CORP., as administrative agent under the Credit Agreement (the “Secured Party”), for the benefit of the Beneficiaries.

RECITALS

A. On April 30, 2015 (the “Petition Date”), the Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

B. Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

C. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

D. In connection with the Plan of Reorganization, Company, the Secured Party, and certain lenders (collectively, the “Lenders”) have entered into that certain Revolving Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”) to evidence Lenders’ agreement to extend commercial Loans to Company.

E. In connection with the Plan of Reorganization and in order to induce Lenders to make such Loans pursuant to the Credit Agreement, Company, Secured Party and the Lenders desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, each Grantor agrees as follows:

ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

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Section 1.2. Definitions in the UCC, etc. The following terms have the meanings specified in the UCC:

- (a) Account.
- (b) Chattel Paper.
- (c) Commercial Tort Claim.
- (d) Deposit Account.
- (e) Document.
- (f) Equipment.
- (g) General Intangible.
- (h) Instrument.
- (i) Inventory.
- (j) Investment Property.
- (k) Letter-of-Credit Right.
- (l) Payment Intangible.
- (m) Proceeds.
- (n) Securities Account.
- (o) Security.
- (p) Transmitting Utility.
- (q) Uncertificated Security.

Other terms used in this Agreement that are defined in the UCC and not otherwise defined herein or in the Credit Agreement have the meanings specified in the UCC, unless the context otherwise requires.

Section 1.3. Definitions in this Agreement. The following terms have the following meanings:

“Beneficiaries” means the Secured Party, the Lenders, any Secured Third Party Hedge Counterparty to which any Secured Hedging Obligation is owed, and any other Person to which any Secured Obligation is owed.

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“Collateral” means, with respect to any Grantor, all property described in Section 2.1 in which such Grantor has any right, title or interest. References to Collateral herein with respect to a Grantor are intended to refer to Collateral in which such Grantor has any right, title or interest and not to Collateral in which any other Grantor has any right, title or interest.

“Company” has the meaning specified in the preamble.

“Credit Agreement” has the meaning specified in Recital D.

“Grantor” means each Person granting a security interest in any Collateral pursuant to this Agreement. References to “Grantor” in this Agreement are intended to refer to each such Person as if such Person were the only grantor pursuant to this Agreement, except:

(a) that references to “any Grantor” or “each Grantor” or words of similar import are meant to refer to each Person that is a Grantor,

(b) that references to “the Grantors” are meant to refer collectively to all Persons that are Grantors and

(c) as otherwise may be specifically set forth herein.

“Lenders” has the meaning specified in Recital D.

“Organizational Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable governmental authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Pledged Debt” means all Investment Property and General Intangibles constituting or pertaining to Indebtedness owing by any Person to Grantor, including all Indebtedness listed on Schedule 2, whether constituting Investment Property or General Intangibles.

“Pledged Equity” means all Investment Property and General Intangibles constituting or pertaining to Equity in Persons, including all Equity listed on Schedule 2, whether constituting Investment Property or General Intangibles.

“Secured Documents” means each Loan Document and each Secured Hedging Contract.

“Secured Hedging Contract” means any Hedging Contract permitted by the Loan Documents and entered into from time to time between any Grantor and any Secured Third Party Hedge Counterparty that evidences Secured Hedging Obligations.

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“Secured Obligations” has the meaning specified in the Credit Agreement.

“Secured Party” has the meaning specified in the preamble.

“Securities Act” means the Securities Act of 1933, as amended.

“UCC” means the Uniform Commercial Code in effect in the State of [New York] from time to time; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of [New York], “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

Section 1.4. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Security Interest

Section 2.1. Grant of Security Interest. As collateral security for the payment and performance of all Secured Obligations, Grantor pledges, collaterally assigns and grants to the Secured Party for the benefit of the Beneficiaries a continuing security interest in all right, title and interest of Grantor in and to all of the following property, whether now owned or existing or hereafter acquired or arising, regardless of where located and howsoever Grantor’s interests therein arise, whether by ownership, security interest, claim or otherwise:

- (a) Accounts.
- (b) Pledged Equity.
- (c) General Intangibles, including all Payment Intangibles.
- (d) Documents.
- (e) Instruments.
- (f) Inventory.
- (g) Equipment, including, all parts thereof, all accessions thereto, and all replacements therefor.
- (h) Deposit Accounts, including all Deposit Accounts listed on Schedule 2.
- (i) Investment Property, and all dividends, distributions, return of capital, interest, distributions, value, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any Investment Property and all

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subscription warrants, rights or options issued thereon or with respect thereto, including Pledged Debt.

(j) Commercial Tort Claims that are listed opposite Grantor's name on Schedule 2, as in effect on the date hereof or as hereafter modified pursuant to Section 4.2.

(k) Letter-of-Credit Rights.

(l) Chattel Paper.

(m) Books and records (including customer lists, marketing information, credit files, price lists, operating records, vendor and supplier price lists, land and title records, geological and geophysical records and data, reserve engineering records and data, computer software, computer hardware, computer disks and tapes and other storage media, printouts and other materials and records) pertaining to any Collateral or to any oil, gas or mineral properties and interests.

(n) Money and property of any kind from time to time in the possession or under the control of any Beneficiary.

(o) Proceeds of the foregoing.

Notwithstanding the foregoing, this Section 2.1 does not grant a security interest in any property to the extent that such grant is prohibited under any agreement relating to such property and the violation of such prohibition would cause Grantor to lose its interest in or rights with respect to such property, except to the extent that Part 5 of Article 9 of the UCC would render such prohibition ineffective.

Section 2.2. Secured Obligations Secured.

(a) The security interest created hereby in the Collateral secures the payment and performance of all Secured Obligations.

(b) Without limiting the generality of the foregoing, this Agreement secures, as to Grantor, the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

(c) Notwithstanding any other provision of this Agreement, with respect to any Grantor other than Company and Parent, the liability of such Grantor hereunder and under each other Secured Document to which it is a party shall be limited to the maximum liability that such Grantor may incur without rendering this Agreement and such other Secured Documents subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provision of any applicable state or federal law.

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ARTICLE III

Representations and Warranties

Section 3.1. Representations and Warranties. Grantor represents and warrants to the Beneficiaries as follows:

(a) If Grantor is not Company, each representation and warranty made by Company with respect to Grantor in any other Secured Document is correct.

(b) Grantor has and will have at all times the right, power and authority to grant to the Secured Party as provided herein a security interest in the Collateral, free and clear of any Lien other than Permitted Liens. This Agreement creates a valid and binding security interest in favor of the Secured Party in the Collateral, securing the Secured Obligations.

(c) None of the Collateral in which Grantor has granted a security interest that constitutes goods:

(i) is covered by any Document, except for Documents that are subject hereto and have been delivered to the Secured Party;

(ii) is subject to any landlord's lien or similar Lien, except for Permitted Liens; or

(iii) is in the possession of any Person other than Grantor or the Secured Party, except for Collateral being transported in the ordinary course of business and Collateral subject to a joint operating agreement that is in the possession of the operator under the agreement.

(d) With respect to Pledged Equity:

(i) All units and other securities constituting Pledged Equity have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any Person or of any agreement by which Grantor or any issuer of Pledged Equity is bound.

(ii) The Pledged Equity listed on Schedule 2 constitutes all equity interests owned by Grantor in its Subsidiaries. All endorsements, deliveries, notifications, and other actions required by Section 4.2(d)(i) and (ii) have been taken with respect to such Pledged Equity and all other Pledged Equity.

(iii) All documentary, stamp or other taxes or fees owing in connection with the issuance, transfer or pledge of any Pledged Equity (or rights in respect thereof) have been paid.

(iv) No restriction or condition exists with respect to the transfer, voting or capital of any Pledged Equity.

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(v) Except as disclosed on Schedule 2, no Grantor or issuer of Pledged Equity has any outstanding subscription agreement, option, warrant or convertible security or any other outstanding right pursuant to which any Person would be entitled to have issued to it units of ownership interest in any issuer of Pledged Equity.

(vi) Grantor has taken, or concurrently herewith is taking, all actions necessary to perfect the Secured Party's security interest in Pledged Equity, including any registration, filing or notice that may be necessary or advisable under Articles 8 or 9 of the UCC and Uniform Commercial Code as in effect in the jurisdiction in which any issuer of such Pledged Equity is organized, and no other Person has any such registration, filing or notice in effect, except for those that are being terminated concurrently herewith.

(vii) Schedule 2 correctly and completely identifies all Pledged Equity owned by Grantor on the date hereof and accurately sets forth the percentage of each class or series of Equity issued by the issuer of such Pledged Equity that is held by Grantor.

(viii) Schedule 2 sets forth all agreements, including all governing, operating, management, voting, shareholder or similar agreements to which Grantor is a party or by which it is bound and that relate to Pledged Equity, and a correct and complete copy of each such agreement has been delivered to counsel for the Secured Party.

(ix) No issuer of Pledged Equity has made any call for capital that has not been fully paid by Grantor and each other holder of Equity of such issuer.

(x) Neither Grantor nor any other holder of Equity issued by any issuer of Pledged Equity is in default under, or has otherwise breached or violated, any agreement relating to Pledged Equity.

(xi) None of the execution, delivery or performance of this Agreement, nor the exercise of any right or remedy of the Secured Party hereunder, will cause a default under or otherwise breach or violate any agreement in respect of Pledged Equity or otherwise adversely affect or diminish any Pledged Equity.

(xii) Grantor's rights under any agreement in respect of Pledged Equity are enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights.

(e) To the full extent requested by the Secured Party, Grantor has delivered to the Secured Party all Instruments and other writings evidencing Pledged Debt in existence on the date hereof, in suitable form for transfer by delivery with any necessary endorsement or accompanied by fully executed instruments of transfer or assignment in blank.

(f) Grantor has no Deposit Account as of the date hereof other than those listed on Schedule 2.

(g) Grantor has no Securities Account as of the date hereof.

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(h) Grantor is the beneficiary of no Letter-of-Credit Right as of the date hereof other than those listed on Schedule 2.

(i) Grantor is not aware of any Commercial Tort Claim that it may have other than those listed on Schedule 2.

(j) Grantor is an entity of the type specified on Schedule 1 (or Schedule 1 to any security agreement supplement delivered by it pursuant to Section 7.3) opposite its name and is organized under the laws of the jurisdiction specified in such Schedule opposite its name, which is Grantor's location pursuant to the UCC. Grantor has not conducted business under any name except the name in which it has executed this Agreement, which is the exact name that appears in Grantor's Organizational Documents. Grantor's organizational identification number and Federal Tax ID Number (EIN), if any, is set forth in Schedule 1 (or Schedule 1 to any security agreement supplement delivered by it pursuant to Section 7.3).

(k) Grantor has good and marketable title to the Collateral, free and clear of all Liens, except for the security interest created by this Agreement and any other Permitted Liens. No effective financing statement or other registration or instrument similar in effect covering any Collateral is on file in any recording office except any that have been filed in favor of the Secured Party relating to this Agreement, those that are being terminated concurrently herewith, and any that have been filed to perfect or protect any Permitted Lien.

(l) There is no condition precedent to the effectiveness of this Agreement that has not been satisfied or waived.

(m) Grantor, if other than Company, has, independently and without reliance upon any Beneficiary and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Secured Document to which it is or is to be a party, and Grantor, if other than Company, has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

(n) Grantor is not a Transmitting Utility.

ARTICLE IV

Covenants

Section 4.1. General Covenants Applicable to Collateral. Grantor will, so long as this Agreement shall be in effect, perform and observe the covenants contained in the Credit Agreement that are applicable to Grantor (whether made by Grantor or made by Company with respect to Grantor) for so long as any Secured Obligation is outstanding. In addition, Grantor will, so long as this Agreement shall be in effect, perform and observe the following:

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(a) Without limitation of any other covenant herein, Grantor shall not cause or permit any change in its name, identity or organizational structure, or any change to its jurisdiction of organization, unless Grantor shall have first:

(i) notified the Secured Party of such change at least 30 days prior to the effective date of such change (or such shorter notice as the Secured Party may approve),

(ii) taken all action requested by the Secured Party (under the following subsection (b) or otherwise) for the purpose of further confirming, maintaining and protecting the Secured Party's security interest in the Collateral, the perfection and priority thereof and its rights under this Agreement, and

(iii) if requested by the Secured Party, provided to the Secured Party a legal opinion to the Secured Party's satisfaction confirming that such change shall not adversely affect the Secured Party's security interest and rights under this Agreement or the perfection or priority of such security interest.

Grantor shall expressly state in any notice delivered pursuant to this subsection that such notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purposes of continuing perfection of the Secured Party's security interest in the Collateral.

(b) Grantor will, at its expense and as from time to time requested by the Secured Party, promptly execute and deliver all further instruments, agreements, filings and registrations, and take all further action, to:

(i) confirm and validate this Agreement and the Secured Party's rights and remedies hereunder;

(ii) correct any error or omission in the description herein of the Secured Obligations or the Collateral or in any other provision hereof;

(iii) perfect, register and protect the security interest and rights created or purported to be created hereby or to maintain or upgrade in rank the priority of such security interests and rights;

(iv) enable the Secured Party to exercise and enforce its rights and remedies hereunder; or

(v) otherwise give the Secured Party the full benefits of the rights and remedies described in or granted under this Agreement.

In connection with the foregoing, Grantor will, whenever requested by the Secured Party from time to time:

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(A) execute and file any financing statement, continuation statement or other filing or registration relating to the Secured Party's security interest and rights hereunder, and any amendment thereto,

(B) mark its books and records relating to any Collateral to reflect that such Collateral is subject to this Agreement and the security interests hereunder, and

(C) whenever requested by Secured Party from time to time, Grantor will obtain from any account debtor or other obligor in respect of any property included in the Collateral an acknowledgment by such account debtor or obligor that such property is subject to this Agreement.

(c) Grantor shall not take any action that would, or fail to take any action if such failure would, impair the enforceability, perfection or priority of the Secured Party's security interest in any Collateral.

Section 4.2. Covenants for Specified Types of Collateral. For so long as any Secured Obligation is outstanding:

(a) Grantor will, promptly upon request by the Secured Party, deliver to the Secured Party all Documents and Instruments included in the Collateral. All such Documents and Instruments shall be held by or on behalf of the Secured Party pursuant hereto and shall be delivered in suitable form for transfer by delivery with any necessary endorsement or shall be accompanied by fully executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Secured Party.

(b) If at any time there exists Collateral in which a security interest may be perfected by a notation on the certificate of title or similar evidence of ownership of such Collateral, Grantor will, promptly upon request by the Secured Party, deliver to the Secured Party all certificates of title and similar evidences of ownership, all applications therefor, and all other documents that are necessary or appropriate in order to register the Secured Party's security interest in such Collateral on such certificate of title or other evidence of ownership or in otherwise perfecting the Secured Party's security interest in such Collateral.

(c) For each Deposit Account that Grantor at any time maintains, Grantor will, pursuant to an agreement in form and substance satisfactory to the Secured Party, at the Secured Party's option, cause the depository bank that maintains such Deposit Account to agree to comply at any time with instructions from the Secured Party to such depository bank directing the disposition of funds from time to time credited to such Deposit Account, without further consent of Grantor, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Deposit Account. This subsection shall not apply to any Deposit Account (other than the Collateral Account):

(i) for which the Secured Party is the depository bank, or

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(ii) that is specially and exclusively used for (A) payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Grantor's salaried employees, or (B) collection or payment of royalty or joint interest owner funds that do not belong to a Grantor.

(d) (i) If Grantor shall at any time hold or acquire any certificated Security, Grantor will forthwith promptly endorse, assign, and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignments duly executed in blank as the Secured Party may from time to time specify.

(ii) If any Security now or hereafter acquired by Grantor is an Uncertificated Security and is issued to Grantor or its nominee directly by the issuer thereof, Grantor will immediately notify the Secured Party of such issuance and, pursuant to an agreement in form and substance satisfactory to the Secured Party, cause the issuer thereof to agree to comply with instructions from the Secured Party as to such Security, without further consent of Grantor or such nominee, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Security.

(iii) Grantor shall not permit any Pledged Equity to be held by a securities intermediary or held in a Securities Account. Grantor shall not permit any Pledged Equity that is an equity interest in a limited liability company or a limited partnership and that is a General Intangible to become Investment Property.

(iv) Grantor shall not:

(A) adjust, settle, compromise, amend or modify any right in respect of any Pledged Equity or any agreement relating thereto;

(B) permit the creation of any additional equity interest in any issuer of Pledged Equity, unless immediately upon creation the same is pledged to the Secured Party pursuant hereto to the extent necessary to give the Secured Party a first-priority security interest (subject only to Permitted Liens) in such Pledged Equity after such creation that is in the aggregate at least the same percentage of such Pledged Equity as was subject hereto before such issue, whether such additional interest is presently vested or will vest upon the payment of money or the occurrence or nonoccurrence of any other condition; or

(C) enter into any agreement, other than the Secured Documents, creating, or otherwise permit to exist, any restriction or condition upon (including the requirement to obtain consents with respect to) the transfer or exercise of any rights in respect of any Pledged Equity, including any restriction or condition upon the transfer, voting or control of any Pledged Equity.

(e) If Grantor is at any time a beneficiary under a letter of credit now or hereafter issued in favor of Grantor, Grantor shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, pursuant to an agreement in form and substance satisfactory to the Secured Party, either:

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(i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Secured Party of the proceeds of any drawing under such letter of credit; or

(ii) arrange for the Secured Party to become the transferee beneficiary of such letter of credit.

(f) If Grantor shall at any time after the date hereof have a Commercial Tort Claim, Grantor shall promptly notify the Secured Party in writing of the details thereof and execute and deliver to the Secured Party a supplement to Schedule 2 listing such Commercial Tort Claim, which supplement shall take effect without further action on the part of any party hereto or beneficiary hereof and shall make such Commercial Tort Claim collateral security subject to this Agreement.

ARTICLE V

Voting and Distribution Rights in Respect Of Pledged Equity

Section 5.1. Voting Rights. Grantor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Equity or any part thereof for any purpose; provided that Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of any Pledged Equity or on the Secured Party's security interest or the value thereof; and provided further that, upon the occurrence and during the continuance of an Event of Default, upon notice from the Secured Party to Grantor, all rights to exercise or refrain from exercising the voting and other consensual rights that Grantor would otherwise be entitled to exercise shall cease and all such rights shall thereupon become vested in the Secured Party, which thereupon shall have the sole right to exercise or refrain from exercising such voting and other consensual rights.

Section 5.2. Dividend Rights While No Event of Default Exists. Grantor shall be entitled to receive and retain all dividends and other distributions paid in respect of the Pledged Equity if and to the extent that the payment thereof is not otherwise prohibited by the Secured Documents; provided that:

(a) all dividends, interest and other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Equity;

(b) all dividends and other distributions paid or payable in cash in respect of any Pledged Equity in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid in surplus; and

(c) all cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Equity,

shall be, and shall be forthwith delivered to the Secured Party to hold as, Collateral and shall, if received by Grantor, be received in trust for the benefit of the Secured Party, be segregated from

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the other property or funds of Grantor and be forthwith delivered by Grantor to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

Section 5.3. Actions by Secured Party. The Secured Party will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to Section 5.1 above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to Section 5.2 above.

Section 5.4. Rights While an Event of Default Exists. Upon the occurrence and during the continuance of an Event of Default:

(a) All rights of Grantor to receive the dividends and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 5.2 shall automatically cease, and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Equity such dividends and other distributions.

(b) All dividends and other distributions that are received by Grantor contrary to subsection (a) above shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of Grantor, and shall be forthwith paid over to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

ARTICLE VI

Remedies, Powers and Authorizations

Section 6.1. Normal Provisions Concerning the Collateral.

(a) Grantor irrevocably authorizes the Secured Party at any time and from time to time to file, without the signature of Grantor, in any jurisdiction any amendments to existing financing statements and any initial financing statements and amendments thereto that:

(i) indicate the Collateral as being:

(A) “all assets of Grantor and all proceeds thereof, and all rights and privileges with respect thereto” or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or the granting clause of this Agreement, or

(B) of an equal or lesser scope or with greater detail;

(ii) contain any other information required for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Grantor is an organization, the type of organization and any organization identification number issued to Grantor; and

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(iii) properly effectuate the transactions described in the Secured Documents, as determined by the Secured Party in its discretion.

Grantor will furnish any such information to the Secured Party promptly upon request. A carbon, photographic or other reproduction of this Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction by the Secured Party. Grantor ratifies and approves all financing statements heretofore filed by or on behalf of the Secured Party in any jurisdiction in connection with the transactions contemplated hereby.

(b) Grantor appoints the Secured Party as Grantor's attorney in fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement including any action or instrument:

(i) to obtain and adjust any insurance required to be paid to the Secured Party pursuant hereto;

(ii) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral;

(iii) to receive, indorse and collect any drafts or other Instruments or Documents;

(iv) to enforce any obligations included in the Collateral; and

(v) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of Grantor or the Secured Party with respect to any Collateral.

Such power of attorney and proxy are coupled with an interest, are irrevocable, and are to be used by the Secured Party for the sole benefit of the Beneficiaries.

(c) If Grantor fails to perform any agreement or obligation contained herein, the Secured Party may, but shall have no obligation to, itself perform, or cause performance of, such agreement or obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by Grantor under Section 6.6.

(d) If any Collateral in which Grantor has granted a security interest hereunder is at any time in the possession or control of any warehouseman, bailee or any of Grantor's agents, Grantor shall, upon the request of the Secured Party, notify such warehouseman, bailee or agent of the Secured Party's rights hereunder and instruct such Person to hold all such Collateral for the Secured Party's account subject to the Secured Party's instructions. No such request by the

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Secured Party shall be deemed a waiver of any provision hereof that was otherwise violated by such Collateral being held by such Person prior to such instructions by Grantor.

(e) The Secured Party shall have the right, at any time in its discretion and without notice to Grantor, to transfer to or to register in the name of the Secured Party or any of its nominees any Investment Property or other Pledged Equity, subject only to the voting rights retained pursuant to Section 5.1.

(f) Anything in this Agreement to the contrary notwithstanding:

(i) Grantor shall remain liable to perform all duties and obligations under the agreements included in the Collateral to the same extent as if this Agreement had not been executed.

(ii) The exercise by the Secured Party of any right hereunder shall not release Grantor from any duty or obligation under any agreement included in the Collateral.

(iii) No Beneficiary shall have any obligation or liability under the agreements included in the Collateral by reason of this Agreement or any other Secured Document, nor shall any Beneficiary be obligated to perform any duty or obligation of Grantor thereunder or take any action to collect or enforce any claim for payment assigned hereunder.

Section 6.2. Event of Default Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party may from time to time in its discretion, without limitation and without notice except as expressly provided below:

(a) Exercise in respect of the Collateral, in addition to any other right and remedy provided for herein, under the other Secured Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and any other applicable Law.

(b) Require Grantor to, and Grantor will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it (together with all books, records and information of Grantor relating thereto) available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties.

(c) Prior to the disposition of any Collateral:

(i) to the extent permitted by applicable Law, enter, with or without process of Law and without breach of the peace, any premises where any Collateral is or may be located, and without charge or liability to the Secured Party seize and remove such Collateral from such premises;

(ii) have access to and use Grantor's books, records, and information relating to the Collateral; and

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(iii) store or transfer any Collateral without charge in or by means of any storage or transportation facility owned or leased by Grantor, process, repair or recondition any Collateral or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and, in connection with such preparation and disposition, use without charge any copyright, trademark, trade name, patent or technical process used by Grantor.

(d) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure.

(e) Dispose of, at its office, on the premises of Grantor or elsewhere, any Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (but the sale of any Collateral shall not exhaust the Secured Party's power of sale, and sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Secured Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any Collateral.

(f) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any public sale.

(g) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any private sale if any Collateral is of a type customarily sold in a recognized market or is of a type that is the subject of widely distributed standard price quotations.

(h) Apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Grantor consents to any such appointment.

(i) Comply with any applicable state or federal Law requirement in connection with a disposition of Collateral and such compliance shall not be considered to adversely affect the commercial reasonableness of any sale of Collateral.

(j) Sell Collateral without giving any warranty, with respect to title or any other matter, and for cash, on credit or for non-cash consideration as the Secured Party determines is appropriate.

(k) Notify (or require Grantor to notify) any and all obligors under any Account, Payment Intangible, Instrument or other right to payment included in the Collateral of the assignment thereof to the Secured Party under this Agreement and to direct such obligors to make payment of all amounts due or to become due to Grantor thereunder directly to the Secured Party and, upon such notification and at the expense of Grantor and to the extent permitted by law, to enforce collection of any such Account, Payment Intangible, Instrument or other right to payment and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor could have done. After Grantor receives notice that the Secured Party has given (or after the Secured Party has required Grantor to give) any notice referred to above in this subsection:

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(i) all amounts and proceeds (including instruments and writings) received by Grantor in respect of any Account, Payment Intangible, Instrument or other right to payment included in the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary indorsement) to be, at the Secured Party's discretion, either:

(A) held as cash collateral and released to Grantor upon the remedy of all Defaults and Events of Default, or

(B) while an Event of Default is continuing, applied as specified in Section 6.3, and

(ii) Grantor shall not adjust, settle or compromise the amount or payment of any Account, Payment Intangible, Instrument, or other right to payment included in the Collateral or release wholly or partly any account debtor or obligor thereon or allow any credit or discount thereon.

(l) Give any entitlement order, instruction or direction in respect of any of Investment Property to any issuer, securities intermediary, or commodity intermediary, and to withhold its consent to the exercise of any withdrawal rights or dealing rights by Grantor.

(m) Apply sums in the Collateral Account to the reduction of outstanding Secured Obligations in accordance with Section 2.6(a) of the Credit Agreement.

(n) Give an instruction to any depository bank that maintains a Deposit Account for Grantor with respect to the disposition of funds credited thereto or restrict the ability of Grantor to withdraw funds credited thereto, except as authorized in any other Secured Document.

To the extent notice of sale shall be required by Law with respect to Collateral, at least 10-days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification; provided that, if the Secured Party fails in any respect to give such notice, its liability for such failure shall be limited to the liability (if any) imposed on it by law under the UCC. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

Section 6.3. Application of Proceeds. If an Event of Default shall have occurred and be continuing, any cash held by or on behalf of the Secured Party and all cash proceeds received by or on behalf of the Secured Party in respect of any sale of, collection from, or other realization upon any Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied in whole or in part by the Secured Party for the benefit of the Beneficiaries against, the Secured Obligations as set forth in Section 8.3 of the Credit Agreement.

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Section 6.4. Deficiency. If the proceeds of any sale, collection or realization of or upon the Collateral of the Grantors by the Secured Party are insufficient to pay all Secured Obligations and all other amounts to which the Secured Party is entitled, Grantor shall be liable for the deficiency, together with interest thereon as provided in the Secured Documents or (if no interest is so provided) at such other rate as shall be fixed by applicable Law, together with the costs of collection and the reasonable fees of any attorneys employed by the Secured Party and/or the other Beneficiaries to collect such deficiency. Collateral may be sold at a loss to Grantor, and the Secured Party shall have no liability or responsibility to Grantor for such loss. Grantor acknowledges that a private sale may result in less proceeds than a public sale.

Section 6.5. Private Sales of Investment Property and Other Pledged Equity. The Beneficiaries may deem it impracticable to effect a public sale of any Investment Property or other Pledged Equity and may determine to make one or more private sales of such Investment Property or other Pledged Equity to a restricted group of purchasers that will be obligated to agree, among other things, to acquire the same for their own account, for investment and not with a view to the distribution or resale thereof. Any such private sale may be at a price and on other terms less favorable to the seller than the price and other terms that might have been obtained at a public sale. Any such private sale nevertheless shall be deemed to have been made in a commercially reasonable manner, and neither the Secured Party nor any other Beneficiary shall have any obligation to delay sale of any such Investment Property or other Pledged Equity for the period of time necessary to permit their registration for public sale under the Securities Act. Any offer to sell any such Collateral that has been:

(i) publicly advertised on a *bona-fide* basis in a newspaper or other publication of general circulation in the financial community of [Dallas], Texas (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or

(ii) made privately in the manner described above to not less than 15 *bona-fide* offerees,

shall be deemed to involve a “public disposition” under Section 9-610(c) of the UCC, notwithstanding that such sale may not constitute a “public offering” under the Securities Act, and any Beneficiary may bid for such Collateral.

Section 6.6. Expenses. In addition to, but not in qualification or limitation of, any similar obligations under other Secured Documents, Grantors jointly and severally will upon demand pay to the Secured Party the amount of all costs and expenses, including the fees and disbursements of the Secured Party’s counsel and of any experts and agents, that the Secured Party may incur in connection with:

(i) the transactions that give rise to this Agreement;

(ii) the preparation of this Agreement and the perfection and preservation of this security interest created under this Agreement;

(iii) the administration of this Agreement;

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- (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral;
- (v) the exercise or enforcement of any right of the Secured Party hereunder; or
- (vi) the failure by any Grantor to perform or observe any of the provisions hereof.

Section 6.7. Non-Judicial Remedies. In granting to the Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, to the extent permitted by applicable Law, Grantor waives, renounces and knowingly relinquishes any legal right that might otherwise require the Secured Party to enforce its rights by judicial process and confirms that such remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. The Secured Party may, however, in its discretion, resort to judicial process.

Section 6.8. Limitation on Duty of the Secured Party in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Secured Party shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Secured Party shall be deemed to have exercised reasonable care in the custody of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property, and the Secured Party shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Secured Party in good faith.

Section 6.9. Appointment of Other Agents. At any time, in order to comply with any legal requirement in any jurisdiction, the Secured Party may appoint any bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Secured Party, or to act as separate agent or agents on behalf of the Secured Party, with such power and authority as may be necessary for the effective operation of the provisions hereof and may be specified in the instrument of appointment.

ARTICLE VII

Miscellaneous

Section 7.1. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent in the manner provided in the Credit Agreement, if to the Secured Party or to a Grantor that is a party to the Credit Agreement, to the address set forth in the Credit Agreement and, for any other Grantor, to the address specified opposite its name on Schedule 1, or to such other address or to the attention of such other individual as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

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Section 7.2. Amendments and Waivers. Except as provided in Section 4.2(f) or 7.3, no amendment of this Agreement shall be effective unless it is in writing and signed by Grantor and the Secured Party, and no waiver of this Agreement or consent to any departure by Grantor herefrom shall be effective unless it is in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement. No such amendment shall bind any Grantor not a party thereto, but no such amendment with respect to any Grantor shall require the consent of any other Grantor.

Section 7.3. Additional Grantors; Additional Collateral. Upon the execution and delivery, or authentication, by any Person of a security agreement supplement in substantially the form of Exhibit A:

(a) such Person shall become a Grantor hereunder, each reference in this Agreement and the other Secured Documents to “Grantor” shall also mean and be a reference to such Person, and each reference in this Agreement and the other Secured Documents to “Collateral” shall also mean and be a reference to the Collateral of such Person, and

(b) Schedule 2 attached to such security agreement supplement shall be incorporated into and become a part of and supplement Schedule 2 hereto, and the Secured Party may attach such supplemental schedule to such Schedule; and each reference to such Schedule shall mean and be a reference to such Schedule as supplemented pursuant to such supplement.

Section 7.4. Preservation of Rights. No failure on the part of the Secured Party or any other Beneficiary to exercise, and no delay in exercising, any right hereunder or under any other Secured Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Secured Party provided herein and in the other Secured Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by Law or otherwise.

Section 7.5. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 7.6. Survival. Each representation and warranty, covenant and other obligation of Grantor herein shall survive the execution and delivery of this Agreement, the execution and delivery of the other Secured Documents and the creation of the Secured Obligations.

Section 7.7. Binding Effect and Assignment. This Agreement shall:

(a) be binding on Grantor and its successors, and

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(b) inure, together with all rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and the other Beneficiaries and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, the Secured Party and any other Beneficiary may (except as otherwise provided in any Secured Document) pledge, assign or otherwise transfer any right under any Secured Document to any other Person, and such other Person shall thereupon become vested with all benefits in respect thereof granted herein or otherwise. No right or duty of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Secured Party.

Section 7.8. Release of Collateral; Termination.

(a) Upon any sale, lease, transfer or other disposition of any Collateral of Grantor in accordance with the Secured Documents (other than sales of Inventory in the ordinary course of business), the Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence the release of such Collateral from the assignment and security interest granted hereby; provided that:

(i) at the time of such request and such release no Default shall have occurred and be continuing;

(ii) Grantor shall have delivered to the Secured Party, at least 10 Business Days prior to the date of the proposed release (or by such lesser notice as the Secured Party may approve), a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Secured Party and a certificate of Grantor to the effect that the transaction is in compliance with the Secured Documents and such other matters as the Secured Party may request; and

(iii) if any Secured Document provides for any application of the proceeds of any such sale, lease, transfer or other disposition, or any payment to be made, in connection therewith, such proceeds shall have been applied or payment made as provided therein.

(b) Upon, and only upon the indefeasible payment and satisfaction in full in cash of the Secured Obligations and the termination or expiration of all Commitments of the Lenders under the Credit Agreement and of the Credit Agreement and all Secured Hedging Contracts in accordance with the terms thereof, this Agreement and the security interest created hereby shall terminate, all rights in the Collateral shall revert to Grantors and the Secured Party, at a Grantor's request and at its expense, will:

(i) return to Grantor such of Grantor's Collateral in the Secured Party's possession as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and

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(ii) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

Notwithstanding the foregoing, Sections 6.6 and 7.9 shall survive the termination of this Agreement.

No Grantor is authorized to file any financing statement or amendment or termination statement with respect to any financing statement originally filed in connection with this Agreement without the prior written consent of the Secured Party, subject to Grantors' rights under Sections 9-509(d)(2) and 9-518 of the UCC.

Section 7.9. Limitation on Interest. Section 10.9 of the Credit Agreement, which limits the interest for which Grantor is obligated, is incorporated herein by reference.

Section 7.10. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],¹ WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

Section 7.11. Final Agreement. This Agreement and the other Secured Documents represent the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the parties hereto.

Section 7.12. Counterparts; Facsimile. This Agreement may be separately executed in any number of counterparts, all of that when so executed shall be deemed to constitute one and the same Agreement. This Agreement may be validly delivered by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

Section 7.13. Acceptance by the Secured Party. By their acceptance of the benefits hereof, the Secured Party and the Beneficiaries shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 7.14. Jurisdiction, Etc.² **THE SECURED PARTY MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT OR OUT OF ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. GRANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE**

¹ NTD: Under review by Lender Parties.

² NTD: Under review by Lender Parties.

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RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GRANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GRANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH SECURED PARTY ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

Section 7.15. Waiver of Jury Trial, Punitive Damages, etc.. EACH GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND SECURED PARTY AND/OR ANY BENEFICIARY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH GRANTOR UNDER THIS AGREEMENT TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES" AS DEFINED BELOW,

(c) CERTIFIES THAT NO BENEFICIARY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY BENEFICIARY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH BENEFICIARY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER SECURED

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DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY BENEFICIARY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH BENEFICIARY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, “SPECIAL DAMAGES” INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

[The remainder of this page is intentionally left blank.]

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IN WITNESS WHEREOF, Grantor has executed and delivered this Agreement as of the date first-above written.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

ERG INTERMEDIATE HOLDINGS, LLC

By: _____
Name:
Title:

WEST CAT CANYON, L.L.C.

By: _____
Name:
Title:

ERG OPERATING COMPANY, LLC

By: _____
Name:
Title:

ERG INTERESTS, LLC

By: _____
Name:
Title:

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ACCEPTED AND AGREED AS OF THE DATE
FIRST ABOVE-STATED.

CLMG CORP.,
as Secured Party

By: _____
Name:
Title:

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SCHEDULE 1³
to
SECURITY AGREEMENT

Address for Notices and Jurisdiction of Organization

<u>Name of Grantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>	<u>Organizational ID; Tax ID Number</u>
ERG Resources, L.L.C.	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 705703522 Tax ID: 76-0620408
ERG Intermediate Holdings, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801681071 Tax ID: 46-1372521
West Cat Canyon, L.L.C.	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801574390 Tax ID: 45-5197377
ERG Operating Company, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801196907 Tax ID: 27-2448385
ERG Interests, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801717538 Tax ID: 46-1802081

³ All Schedules to be updated.

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SCHEDULE 2⁴
to
SECURITY AGREEMENT

Scheduled Collateral

AGREEMENTS

<u>Entity</u>	<u>Agreements</u>
ERG Resources, L.L.C.	Third Amended and Restated Regulations of ERG Resources, L.L.C. (formerly Energy Reserves Group, L.L.C.), dated [____], 2015
ERG Intermediate Holdings, LLC	Amended and Restated Company Agreement of ERG Intermediate Holdings, LLC, dated [____], 2015
West Cat Canyon, L.L.C.	Amended and Restated Company Agreement of West Cat Canyon, L.L.C., dated [____], 2015
ERG Operating Company, LLC	Amended and Restated Company Agreement of ERG Operating Company, LLC, dated [____], 2015
ERG Interests, LLC	Amended and Restated Company Agreement of ERG Interests, LLC, dated [____], 2015

PLEDGED DEBT

None.

[Schedule 2 continues on following page]

⁴ All Schedules to be updated.

*TK Draft 9/17/2015*DEPOSIT ACCOUNTS

<u>Grantor</u>	<u>Depository</u>	<u>Account Number</u>	<u>Description</u>
ERG Resources, LLC	Prosperity Bank	33021813	Checking & Payroll Account
ERG Resources, LLC	Prosperity Bank	04119731	401k Account (zero balance)
ERG Resources, LLC	Santa Barbara Bank	101584407	Checking Account (used for Orcutt Lease Income (de minimis balance))
ERG Resources, LLC	CitiBank	336073248	Money Market Account
ERG Resources, LLC	CitiBank	9771434980	Checking Account
	CitiBank	9787489084	Checking Account (used for revenue deposits and wire transactions)
ERG Operating Company, LLC	Union Bank	4240023690	Checking Account
ERG Operating Company, LLC	CitiBank	9771223272	Checking Account

[Schedule 2 continues on following page]

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PLEDGED EQUITY AND RELATED MATTERS

<u>Grantor</u>	<u>Issuer</u>	<u>Type of Equity Interest</u>	<u>Percentage Interest</u>	<u>Certificate No.</u>	<u>Agreements</u>
ERG Intermediate Holdings, LLC	ERG Resources, L.L.C.	Non-unitized limited liability company membership interest	100%	1	Third Amended and Restated Regulations of ERG Resources, L.L.C. (formerly Energy Reserves Group, L.L.C.), dated [____], 2015
ERG Resources, L.L.C.	West Cat Canyon, L.L.C.	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of West Cat Canyon, L.L.C., dated [____], 2015
ERG Resources, L.L.C.	ERG Operating Company, LLC	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of ERG Operating Company, LLC, dated [____], 2015
ERG Resources, LLC	ERG Interests, LLC	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of ERG Interests, LLC, dated [____], 2015

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LETTER-OF-CREDIT RIGHTS

None.

COMMERCIAL TORT CLAIMS

None.

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EXHIBIT A
to
SECURITY AGREEMENT

FORM OF GRANTOR ACCESSION AGREEMENT

_____, 20__

CLMG Corp., as Administrative Agent,
as the Secured Party for the Beneficiaries referred to
in the Security Agreement referred to below
7195 Dallas Parkway
Plano, Texas 75024
Attn: James Erwin

Ladies and Gentlemen:

The undersigned refers to:

- (i) the Revolving Credit Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the "Credit Agreement") among ERG Resources, L.L.C., a Texas limited liability company, the Lenders party thereto, and you, as administrative agent, and
- (ii) the Security Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the "Security Agreement") made by the Grantors from time to time party thereto in your favor for the benefit of the Beneficiaries.

Terms defined in the Credit Agreement or the Security Agreement and not otherwise defined herein are used herein as defined, and rules regarding construction, references and titles are as provided, in the Credit Agreement or the Security Agreement.

SECTION 1. Grant of Security. The undersigned grants to you, for the benefit of the Beneficiaries, a security interest in all of its right, title and interest in and to all of the Collateral of the undersigned, whether now owned or hereafter acquired by the undersigned, wherever located and whether now or hereafter existing or arising, including the property of the undersigned set forth on the attached supplemental schedules to the Schedules to the Security Agreement.

SECTION 2. Security for Obligations. The grant of a security interest in the Collateral by the undersigned under this Agreement and the Security Agreement secures the payment of the Secured Obligations. Without limiting the generality of the foregoing, this Security Agreement Supplement and the Security Agreement secures the payment of all amounts that constitute part of the Secured Obligations and that would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that such Secured Obligations are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

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SECTION 3. Information Relating to the Undersigned. The undersigned is an entity of the type specified on Schedule 1 and is organized under the laws of the jurisdiction specified on Schedule 1 and its address for notices is specified on Schedule 1. Its organizational identification number and its Federal Tax ID Number (EIN), if any, are set forth in Schedule 1.

SECTION 4. Supplement to Security Agreement Schedule 2. The undersigned has attached hereto a supplemental Schedule 2 to Schedule 2 to the Security Agreement, and the undersigned certifies, as of the date first-above written, that such supplemental schedule has been prepared by the undersigned in substantially the form of Schedule to the Security Agreement and is true and complete.

SECTION 5. Representations, Warranties, Agreements, Waivers. The undersigned as of the date hereof makes each representation, warranty, agreement (including indemnification agreements), waiver (including all waivers set forth in Sections 7.2 and 7.15 of the Security Agreement), and acknowledgement set forth in the Security Agreement (as supplemented by the attached supplemental schedules).

SECTION 6. Obligations Under the Security Agreement. As of the date first-above written, the undersigned hereby joins the Security Agreement as a party thereto and as a Grantor thereunder and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Security Agreement. As of the date first-above written, each reference in the Security Agreement to a "Grantor" shall also mean and be a reference to the undersigned.

SECTION 7. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the jurisdiction whose Laws the Security Agreement provides will govern the Security Agreement. The undersigned hereby knowingly and voluntarily agrees to the choice of law set forth the in the Security Agreement and to the choice of law incorporated into this Agreement as set forth herein.

[The remainder of this page is intentionally left blank.]

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Very truly yours,

[GRANTOR]

By _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST-ABOVE STATED.

CLMG CORP., as Secured Party

By _____
Name:
Title:

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SCHEDULE 1
to
SECURITY AGREEMENT SUPPLEMENT

Address for Notices and Jurisdiction of Organization

<u>Name of Grantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>	<u>Organizational ID; Tax ID Number</u>

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SCHEDULE 2
to
SECURITY AGREEMENT SUPPLEMENT

Scheduled Collateral

AGREEMENTS

[List]

PLEDGED DEBT

[List]

DEPOSIT ACCOUNTS

[List]

PLEDGED EQUITY AND RELATED MATTERS

[Include descriptions of equity, percentage ownership and any shareholder, voting, operating or similar agreements.]

LETTER-OF-CREDIT RIGHTS

[List]

COMMERCIAL TORT CLAIMS

[List]

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PLEDGE AGREEMENT

dated as of [_____, 2015

of

ERG PLAN TRUST

in favor of

CLMG CORP., as Administrative Agent

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Schedule

Schedule 1

Schedule of Pledged Equity

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THIS PLEDGE AGREEMENT is made as of [____], 2015, by ERG PLAN TRUST (“Grantor”) in favor of CLMG, CORP., as administrative agent under the Credit Agreement (the “Secured Party”), for the benefit of the Beneficiaries.

RECITALS

A. On April 30, 2015 (the “Petition Date”), the ERG Resources, L.L.C., a Texas limited liability company (“Company”), and the other Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

B. Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

C. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

D. Pursuant to the Plan of Reorganization, Grantor has succeeded to all right, title and interest in and to the Collateral (as herein defined); and

E. In connection with the Plan of Reorganization, Company, the Secured Party, and certain lenders (collectively, the “Lenders”) have entered into that certain Revolving Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”) to evidence Lenders’ agreement to extend commercial Loans to Company.

F. In connection with the Plan of Reorganization and to induce Lenders to make such Loans pursuant to the Credit Agreement, Grantor and Secured Party desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, Grantor agrees as follows:

ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

Section 1.2. Definitions in the UCC, etc. The following terms have the meanings specified in the UCC:

- (a) Investment Property.
- (b) Proceeds.
- (c) Securities Account.
- (d) Security.
- (e) Uncertificated Security.

Other terms used in this Agreement that are defined in the UCC and not otherwise defined herein or in the Credit Agreement have the meanings specified in the UCC, unless the context otherwise requires.

Section 1.3. Definitions in this Agreement. The following terms have the following meanings:

“Beneficiaries” means the Secured Party, the Lenders, any Secured Third Party Hedge Counterparty to which any Secured Hedging Obligation is owed, and any other Person to which any Secured Obligation is owed.

“Company” has the meaning specified in Recital A.

“Collateral” means all property described in Section 2.1 in which Grantor has any right, title or interest.

“Credit Agreement” has the meaning specified in Recital E.

“Grantor” has the meaning specified in the preamble.

“Lenders” has the meaning specified in Recital E.

“Plan of Reorganization” has the meaning specified in Recital C.

“Pledged Equity” has the meaning specified in Section 2.1(a).

“Secured Documents” means each Loan Document and each Secured Hedging Contract.

“Secured Hedging Contract” means any Hedging Contract permitted by the Loan Documents and entered into from time to time between any Grantor and any Secured Third Party Hedge Counterparty that evidences Secured Hedging Obligations.

“Secured Obligations” has the meaning specified in the Credit Agreement.

“Secured Party” has the meaning specified in the preamble.

“Securities Act” means the Securities Act of 1933, as amended.

“UCC” means the Uniform Commercial Code in effect in the State of [New York] from time to time; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of [New York], “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

Section 1.4. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Security Interest

Section 2.1. Grant of Security Interest. As collateral security for the payment and performance of all Secured Obligations, Grantor pledges, collaterally assigns and grants to the Secured Party for the benefit of the Beneficiaries a continuing security interest in all right, title and interest of Grantor in and to all of the following property, whether now owned or existing or hereafter acquired or arising, regardless of where located and howsoever Grantor’s interests therein arise, whether by ownership, security interest, claim or otherwise:

(a) All Equity listed on Schedule 1, whether such equity is a General Intangible or a security, all Equity that it may acquire in the future that is issued by any Person referred to in Schedule 1 and all Equity that it may hold at any time in the future that is issued by any of its Subsidiaries (the “Pledged Equity”).

(b) All rights and benefits, but no duty or obligation, of Grantor under all agreements, documents and instruments relating to the Pledged Equity, including all rights under limited liability company, operating, management, partnership and stockholder agreements.

(c) Proceeds of the foregoing.

Section 2.2. Secured Obligations Secured.

(a) The security interest created hereby in the Collateral secures the payment and performance of all Secured Obligations.

(b) Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

ARTICLE III

Representations and Warranties

Section 3.1. Representations and Warranties. Grantor represents and warrants to the Beneficiaries as follows:

(a) Each representation and warranty made by the Company with respect to Grantor in any other Secured Document is correct.

(b) Grantor has and will have at all times the right, power and authority to grant to the Secured Party as provided herein a security interest in the Collateral, free and clear of any Lien. This Agreement creates a valid and binding security interest in favor of the Secured Party in the Collateral, securing the Secured Obligations.

(c) With respect to Pledged Equity:

(i) All units and other securities constituting Pledged Equity have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any Person or of any agreement by which Grantor or any issuer of Pledged Equity is bound.

(ii) All actions required by Section 4.2(a) have been taken with respect to Pledged Equity.

(iii) All documentary, stamp or other taxes or fees owing in connection with the issuance, transfer or pledge of any Pledged Equity (or rights in respect thereof) have been paid.

(iv) No restriction or condition exists with respect to the transfer, voting or capital of any Pledged Equity.

(v) Except as disclosed on Schedule 1, neither Grantor nor any issuer of Pledged Equity has any outstanding subscription agreement, option, warrant or convertible security outstanding or any other right outstanding pursuant to which any Person would be entitled to have issued to it units of ownership interest in any issuer of Pledged Equity.

(vi) Grantor has taken, or concurrently herewith is taking, all actions necessary to perfect the Secured Party's security interest in Pledged Equity, including any registration, filing or notice that may be necessary or advisable under Articles 8 or 9 of the UCC and Uniform Commercial Code as in effect in the jurisdiction in which any

issuer of such Pledged Equity is organized, and no other Person has any such registration, filing or notice in effect, except for those that are being terminated concurrently herewith.

(vii) Schedule 1 correctly and completely reflects all Pledged Equity owned by Grantor as of the date hereof and accurately sets forth the percentage of each class or series of Equity issued by the issuer of such Pledged Equity that is held by Grantor.

(viii) Schedule 1 sets forth all agreements, including all governing, operating, management, voting, shareholder or similar agreements to which Grantor is a party or by which it is bound and that relate to Pledged Equity and a correct and complete copy of each such agreement has been delivered to counsel for the Secured Party.

(ix) No issuer of Pledged Equity has made any call for capital that has not been fully paid by Grantor and each other holder of Equity of such issuer.

(x) Neither Grantor nor any other holder of Equity issued by any issuer of Pledged Equity is in default under, or has otherwise breached or violated, any agreement relating to Pledged Equity.

(xi) Neither the execution, delivery or performance of this Agreement, nor the exercise of any right or remedy of the Secured Party hereunder, will cause a default under or otherwise breach or violate any agreement in respect of Pledged Equity or otherwise adversely affect or diminish any Pledged Equity.

(xii) Grantor's rights under any agreement in respect of Pledged Equity are enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(d) The Pledged Equity listed on Schedule 1 constitutes all Equity owned by Grantor in its Subsidiaries as of the date hereof. Grantor has delivered to the Secured Party all certificates evidencing the Pledged Equity, duly indorsed, or accompanied by stock powers duly indorsed, in blank for transfer.

(e) Grantor is a [statutory] trust formed pursuant to the Trust Declaration and is not a "registered organization", as defined in Section 9-102(a)(70) of the UCC. Grantor has not conducted business under any name except the name in which it has executed this Agreement, which is the exact name that appears in Grantor's Organizational Documents. Grantor's principal place of business and chief executive office were for the four-month period prior to the date hereof (or, if less, the entire period of the existence of Grantor) located at Grantor's address referred to in Section 7.1.

(f) Grantor has good and marketable title to the Collateral, free and clear of all Liens, except for the security interest created by this Agreement. No effective financing statement or other registration or instrument similar in effect covering any Collateral is on file in any recording office except any that have been filed in favor of the Secured Party relating to this Agreement.

(g) Neither the ownership or intended use of the Collateral by Grantor, nor the grant of the security interest by Grantor to the Secured Party hereunder:

(i) conflicts with:

(A) any domestic or foreign Law;

(B) any Organizational Document of Grantor or any issuer of Pledged Equity; or

(C) any agreement, judgment, license, order or permit applicable to or binding upon Grantor or any issuer of Pledged Equity, or

(ii) results in or requires the creation of any Lien, charge or encumbrance upon any asset of Grantor.

(h) Except as expressly contemplated in the Loan Documents, no consent, approval, authorization or order of, and no notice to or filing with, any court, governmental authority or third party is required in connection with the grant by Grantor of the security interest hereunder, or the exercise by the Secured Party of its rights and remedies hereunder, except for such as may be needed under federal and state securities laws in connection with sales of securities by the Secured Party.

(i) This Agreement is the legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with its terms, except as limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(j) There is no action, suit or proceeding pending or, to the knowledge of Grantor, threatened against or otherwise affecting Grantor before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality that could reasonably be expected materially and adversely to affect Grantor's financial condition or its ability to perform its Obligations hereunder.

(k) There is no condition precedent to the effectiveness of this Agreement that has not been satisfied or waived.

(l) Grantor has, independently and without reliance upon any Beneficiary and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Secured Document to which it is or is to be a party, and Grantor, if other than Company, has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

(m) Grantor is not a Transmitting Utility.

(n) Grantor owns no properties (whether real or personal) or assets of any kind other than the Pledged Equity and assets related thereto.

ARTICLE IV

Covenants

Section 4.1. General Covenants. Grantor will at all times perform and observe the covenants contained in the Credit Agreement that are applicable to Grantor (whether made by Grantor or made by Company with respect to Grantor) for so long as any Secured Obligation is outstanding. In addition, Grantor will, so long as this Agreement shall be in effect, perform and observe the following:

(a) Without limitation of any other covenant herein, Grantor shall not cause or permit any change in its name, identity or organizational structure, or any change to its jurisdiction of organization, unless Grantor shall have first:

(i) notified the Secured Party of such change at least 30 days prior to the effective date of such change (or such shorter notice as the Secured Party may approve);

(ii) taken all action requested by the Secured Party (under the following subsection (b) or otherwise) for the purpose of further confirming, maintaining and protecting the Secured Party's security interest and rights under this Agreement and the perfection and priority thereof; and

(iii) if requested by the Secured Party, provided to the Secured Party a legal opinion to the Secured Party's satisfaction confirming that such change shall not adversely affect the Secured Party's security interest and rights under this Agreement or the perfection or priority of such security interest.

In any notice delivered pursuant to this subsection, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purposes of continuing perfection of the Secured Party's security interest in the Collateral.

(b) Grantor will, at its expense and as from time to time requested by the Secured Party, promptly execute and deliver all further instruments, agreements, filings and registrations, and take all further action, to:

(i) confirm and validate this Agreement and the Secured Party's rights and remedies hereunder;

(ii) correct any error or omission in the description herein of the Secured Obligations or the Collateral or in any other provision hereof;

(iii) perfect, register and protect the security interest and rights created or purported to be created hereby or to maintain or upgrade in rank the priority of such security interests and rights;

(iv) enable the Secured Party to exercise and enforce its rights and remedies hereunder; or

(v) otherwise give the Secured Party the full benefits of the rights and remedies described in or granted under this Agreement.

As part of the foregoing, Grantor will, whenever requested by the Secured Party from time to time:

(A) execute and file any financing statement, continuation statement or other filing or registration relating to the Secured Party's security interest and rights hereunder, and any amendment thereto, and

(B) mark its books and records relating to any Collateral to reflect that such Collateral is subject to this Agreement and the security interests hereunder.

(c) Grantor will:

(i) Maintain good and marketable title to all Collateral, free and clear of all Liens except for the security interest created by this Agreement, and not grant or allow any such Lien to exist.

(ii) Not allow to remain in effect, and cause to be terminated, any financing statement or other registration or instrument similar in effect covering any Collateral, except any that has been filed in favor of the Secured Party relating to this Agreement.

(iii) Defend the Secured Party's right, title and special property and security interest in and to the Collateral against the claims of any Person.

(d) Grantor shall not take any action that would, or fail to take any action if such failure would, impair the enforceability, perfection or priority of the Secured Party's security interest in any Collateral.

(e) Grantor shall not incur any Indebtedness, own or acquire any assets (other than the Equity of Company or any assets incidental thereto) or engage in any operations or business, other than (i) activities and contractual rights incidental to the maintenance of its existence as a trust with the primary purpose of liquidating its assets in accordance with Treasury Regulation § 301.7701-4(d) and (ii) performance of its obligations under the Trust Declaration, the Confirmation Order and Plan of Reorganization, including its obligations under the Loan Documents to which it is a party. Notwithstanding anything to the contrary in this Agreement, except as permitted under the Confirmation Order and the Plan of Reorganization, Grantor shall not (A) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (B) sell or otherwise Dispose of any Equity of Parent, except as permitted by this Agreement; or (C) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 4.2. Covenants Relating Specifically to the Nature of the Collateral. Grantor will, for so long as any Secured Obligation is outstanding, perform and observe the following:

(a) (i) If Grantor shall at any time hold or acquire any certificated Security evidencing Collateral, Grantor will forthwith promptly endorse, assign, and deliver the

same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(ii) If any Pledged Equity is an Uncertificated Security and is issued to Grantor or its nominee directly by the issuer thereof, Grantor will immediately notify the Secured Party of such issuance and, pursuant to an agreement in form and substance satisfactory to the Secured Party, cause the issuer thereof to agree to comply with instructions from the Secured Party as to such Security, without further consent of Grantor or such nominee, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Security.

(iii) Grantor shall not permit any Pledged Equity to be held by a securities intermediary or held in a Securities Account. Grantor shall not permit any Pledged Equity that is an equity interest in a limited liability company or a limited partnership and that is a General Intangible to become Investment Property.

(iv) Grantor shall not:

(A) adjust, settle, compromise, amend or modify any right in respect of any Pledged Equity or any agreement relating thereto;

(B) permit the creation of any additional equity interest in any issuer of Pledged Equity, unless immediately upon creation the same is pledged to the Secured Party pursuant hereto to the extent necessary to give the Secured Party a first-priority security interest in such Pledged Equity after such creation that is in the aggregate at least the same percentage of such Pledged Equity as was subject hereto before such issue, whether such additional interest is presently vested or will vest upon the payment of money or the occurrence or nonoccurrence of any other condition; or

(C) enter into any agreement, other than the Secured Documents, creating, or otherwise permit to exist, any restriction or condition upon (including the requirement to obtain consents with respect to) the transfer or exercise of any rights in respect of any Pledged Equity, including any restriction or condition upon the transfer, voting or control of any Pledged Equity.

(b) If Grantor shall acquire at any time any additional Equity constituting Collateral, Grantor shall promptly notify the Secured Party in writing of the details thereof and execute and deliver to the Secured Party a supplement to Schedule 1 listing such Equity, which supplement shall take effect without further action on the part of any party hereto or beneficiary hereof.

ARTICLE V

Voting and Distribution Rights in Respect Of Pledged Equity

Section 5.1. Voting Rights. Grantor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Equity or any part thereof for any purpose; provided that Grantor shall not exercise or refrain from exercising any such right if such action would

have a material adverse effect on the value of any Pledged Equity or on the Secured Party's security interest or the value thereof; and provided further that, upon the occurrence and during the continuance of a Default, upon notice from the Secured Party to Grantor, all rights to exercise or refrain from exercising the voting and other consensual rights that Grantor would otherwise be entitled to exercise shall cease and all such rights shall thereupon become vested in the Secured Party, which thereupon shall have the sole right to exercise or refrain from exercising such voting and other consensual rights.

Section 5.2. Dividend Rights While No Event of Default Exists. Grantor shall be entitled to receive and retain all distributions paid in respect of the Pledged Equity if and to the extent that the payment thereof is not otherwise prohibited by the Loan Documents; provided that:

(a) all interest and distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Equity;

(b) all distributions paid or payable in cash in respect of any Pledged Equity in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus; and

(c) all cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Equity,

shall be, and shall be forthwith delivered to the Secured Party to hold as, Collateral and shall, if received by Grantor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of Grantor and be forthwith delivered by Grantor to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

Section 5.3. Actions by Secured Party. The Secured Party will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to Section 5.1 above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to Section 5.2 above.

Section 5.4. Rights While an Event of Default Exists. Upon the occurrence and during the continuance of an Event of Default:

(a) All rights of Grantor to receive the dividends and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 5.2 shall automatically cease, and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Equity such dividends and other distributions.

(b) All dividends and other distributions that are received by Grantor contrary to subsection (a) above shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of Grantor and shall be forthwith paid over to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

ARTICLE VI

Remedies, Powers and Authorizations

Section 6.1. Normal Provisions Concerning the Collateral.

(a) Grantor irrevocably authorizes the Secured Party at any time and from time to time to file, without the signature of Grantor, in any jurisdiction any amendments to existing financing statements and any initial financing statements and amendments thereto that:

- (i) indicate the nature of the Collateral;
- (ii) contain any other information required for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Grantor is an organization, the type of organization and any organization identification number issued to Grantor; or
- (iii) are necessary or appropriate properly to effectuate the transactions described in the Secured Documents, as determined by the Secured Party in its discretion.

Grantor will furnish any such information to the Secured Party promptly upon request. A carbon, photographic or other reproduction of this Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction by the Secured Party. Grantor ratifies and approves all financing statements heretofore filed by or on behalf of the Secured Party in any jurisdiction in connection with the transactions contemplated hereby.

(b) Grantor appoints the Secured Party as Grantor's attorney in fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement including any action or instrument:

- (i) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral;
- (ii) to receive, indorse and collect any drafts or other Instruments or Documents;
- (iii) to enforce any obligations included in the Collateral; and
- (iv) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of Grantor or the Secured Party with respect to any Collateral.

Such power of attorney and proxy are coupled with an interest, are irrevocable, and are to be used by the Secured Party for the sole benefit of the Beneficiaries.

(c) If Grantor fails to perform any agreement or obligation contained herein, the Secured Party may, but shall have no obligation to, itself perform, or cause performance of, such agreement or obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by Grantor under Section 6.6.

(d) If any Collateral in which Grantor has granted a security interest hereunder is at any time in the possession or control of any warehouseman, bailee or any of Grantor's agents, Grantor shall, upon the request of the Secured Party, notify such warehouseman, bailee or agent of the Secured Party's rights hereunder and instruct such Person to hold all such Collateral for the Secured Party's account subject to the Secured Party's instructions. No such request by the Secured Party shall be deemed a waiver of any provision hereof that was otherwise violated by such Collateral being held by such Person prior to such instructions by Grantor.

(e) The Secured Party shall have the right, at any time in its discretion and without notice to Grantor, to transfer to or to register in the name of the Secured Party or any of its nominees any Pledged Equity, subject only to the revocable rights specified in Section 5.1(a).

(f) Anything in this Agreement to the contrary notwithstanding:

(i) Grantor shall remain liable to perform all duties and obligations under the agreements included in the Collateral to the same extent as if this Agreement had not been executed.

(ii) The exercise by the Secured Party of any right hereunder shall not release Grantor from any duty or obligation under any agreement included in the Collateral.

(iii) No Beneficiary shall have any obligation or liability under the agreements in respect of the Collateral by reason of this Agreement or any other Secured Document, nor shall any Beneficiary be obligated to perform any duty or obligation of Grantor thereunder or take any action to collect or enforce any claim for payment assigned hereunder.

Section 6.2. Event of Default Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party may from time to time in its discretion, without limitation and without notice except as expressly provided below:

(a) Exercise in respect of the Collateral, in addition to any other right and remedy provided for herein, under the other Secured Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and any other applicable Law.

(b) Require Grantor to, and Grantor will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it (together with all books, records and information of Grantor relating thereto)

available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties.

(c) Prior to the disposition of any Collateral:

(i) to the extent permitted by applicable Law, enter, with or without process of Law and without breach of the peace, any premises where any Collateral is or may be located, and without charge or liability to the Secured Party seize and remove such Collateral from such premises;

(ii) have access to and use Grantor's books, records, and information relating to the Collateral; and

(iii) store or transfer any Collateral without charge in or by means of any storage or transportation facility owned or leased by Grantor, process, repair or recondition any Collateral or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and, in connection with such preparation and disposition, use without charge any copyright, trademark, trade name, patent or technical process used by Grantor.

(d) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure.

(e) Dispose of, at its office, on the premises of Grantor or elsewhere, any Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (but the sale of any Collateral shall not exhaust the Secured Party's power of sale, and sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Secured Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any Collateral.

(f) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any public sale.

(g) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any private sale if any Collateral is of a type customarily sold in a recognized market or is of a type that is the subject of widely distributed standard price quotations.

(h) Apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Grantor consents to any such appointment.

(i) Comply with any applicable state or federal Law requirement in connection with a disposition of Collateral and such compliance shall not be considered to affect adversely the commercial reasonableness of any sale of Collateral.

(j) Sell Collateral without giving any warranty with respect to title or any other matter and for cash, on credit or for non-cash consideration as the Secured Party determines is appropriate.

(k) To the extent notice of sale shall be required by Law with respect to Collateral, at least 10-days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification; provided that, if the Secured Party fails in any respect to give such notice, its liability for such failure shall be limited to the liability (if any) imposed on it by Law under the UCC. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

Section 6.3. Application of Proceeds. If an Event of Default shall have occurred and be continuing, any cash held by or on behalf of the Secured Party and all cash proceeds received by or on behalf of the Secured Party in respect of any sale of, collection from, or other realization upon any Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied in whole or in part by the Secured Party for the benefit of the Beneficiaries against, the Secured Obligations as set forth in Section 8.3 of the Credit Agreement.

Section 6.4. Limited Recourse; Sale at a Loss. Notwithstanding anything to the contrary herein, (a) Grantor is not personally liable for any of the Secured Obligations and shall have no duty to pay or perform any of the Secured Obligations, and (b) the rights and remedies of the Secured Party under this Agreement with respect to the Secured Obligations are limited to recourse against the Collateral as provided herein. Collateral may be sold at a loss to Grantor, and the Secured Party shall have no liability or responsibility to Grantor for such loss. Grantor acknowledges that a private sale may result in less proceeds than a public sale.

Section 6.5. Private Sales of Pledged Equity.¹ The Beneficiaries may deem it impracticable to effect a public sale of any Pledged Equity and may determine to make one or more private sales of such Pledged Equity to a restricted group of purchasers that will be obligated to agree, among other things, to acquire the same for their own account, for investment and not with a view to the distribution or resale thereof. Any such private sale may be at a price and on other terms less favorable to the seller than the price and other terms that might have been obtained at a public sale. Any such private sale nevertheless shall be deemed to have been made in a commercially reasonable manner, and neither the Secured Party nor any other Beneficiary shall have any obligation to delay sale of any such Pledged Equity for the period of time necessary to permit their registration for public sale under the Securities Act. Any offer to sell any such Collateral that has been:

(i) publicly advertised on a *bona-fide* basis in a newspaper or other publication of general circulation in the financial community of [Dallas], Texas (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or

(ii) made privately in the manner described above to not less than 15 *bona-fide* offerees,

¹ **Shad** - Should we include registration rights provisions?

shall be deemed to involve a “public disposition” under Section 9-610(c) of the UCC, notwithstanding that such sale may not constitute a “public offering” under the Securities Act, and any Beneficiary may bid for such Collateral.

Section 6.6. Indemnity and Expenses. In addition to, but not in qualification or limitation of, any similar obligations under other Secured Documents:

(a) Grantor will indemnify the Secured Party, each other Beneficiary and any agent appointed pursuant to Section 6.9 from and against all claims, losses and liabilities growing out of or resulting from this Agreement (including enforcement of this Agreement), **WHETHER OR NOT SUCH CLAIMS, LOSSES AND LIABILITIES ARE IN ANY WAY OR TO ANY EXTENT CAUSED BY OR ARISING OUT OF SUCH INDEMNIFIED PARTY’S OWN NEGLIGENCE OR STRICT LIABILITY**, except to the extent such claims, losses or liabilities are proximately caused by such indemnified party’s individual gross negligence or willful misconduct.

(b) Grantor will upon demand pay to the Secured Party the amount of all costs and expenses, including the fees and disbursements of the Secured Party’s counsel and of any experts and agents, that the Secured Party may incur in connection with:

- (i) the transactions that give rise to this Agreement;
- (ii) the preparation of this Agreement and the perfection and preservation of this security interest created under this Agreement;
- (iii) the administration of this Agreement;
- (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral;
- (v) the exercise or enforcement of any right of the Secured Party hereunder; or
- (vi) the failure by Grantor to perform or observe any of the provisions hereof.

Section 6.7. Non-Judicial Remedies. In granting to the Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, to the extent permitted by applicable Law, Grantor waives, renounces and knowingly relinquishes any legal right that might otherwise require the Secured Party to enforce its rights by judicial process and confirms that such remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm’s length. The Secured Party may, however, in its discretion, resort to judicial process.

Section 6.8. Limitation on Duty of the Secured Party in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Secured Party shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Secured Party shall be deemed to have exercised reasonable care in the custody of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords

its own property, and the Secured Party shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Secured Party in good faith.

Section 6.9. Appointment of Other Agents. At any time, in order to comply with any legal requirement in any jurisdiction, the Secured Party may appoint any bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Secured Party, or to act as separate agent or agents on behalf of the Secured Party, with such power and authority as may be necessary for the effective operation of the provisions hereof and may be specified in the instrument of appointment.

ARTICLE VII

Miscellaneous

Section 7.1. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent in the manner provided in the Credit Agreement, with each notice or communication to Grantor being given in the same manner as notices and communications to Company under the Credit Agreement; provided that such notices and communications shall in each case be addressed to Grantor at its address for notices set forth on its signature page hereto, or to such other address or to the attention of such other individual as hereafter shall be designated in writing. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

Section 7.2. Amendments and Waivers. Except as provided in Section 4.2(b) or 7.3, no amendment of this Agreement shall be effective unless it is in writing and signed by Grantor and the Secured Party, and no waiver of this Agreement or consent to any departure by Grantor herefrom shall be effective unless it is in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement.

Section 7.3. Preservation of Rights. No failure on the part of the Secured Party or any other Beneficiary to exercise, and no delay in exercising, any right hereunder or under any other Secured Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Secured Party provided herein and in the other Secured Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by Law or otherwise.

Section 7.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 7.5. Survival. Each representation and warranty, covenant and other obligation of Grantor herein shall survive the execution and delivery of this Agreement, the execution and delivery of any other Secured Document and the creation of the Secured Obligations.

Section 7.6. Binding Effect and Assignment. This Agreement shall:

- (a) be binding on Grantor and its successors and permitted assigns, and
- (b) inure, together with all rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and the other Beneficiaries and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, the Secured Party and any other Beneficiary may (except as otherwise provided in any Secured Document) pledge, assign or otherwise transfer any right under any Secured Document to any other Person, and such other Person shall thereupon become vested with all benefits in respect thereof granted herein or otherwise. No right or duty of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Secured Party.

Section 7.7. Release of Collateral; Termination.

(a) Upon any sale, lease, transfer or other disposition of any Collateral of Grantor in accordance with the Secured Documents, the Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence the release of such Collateral from the assignment and security interest granted hereby; provided that:

(i) at the time of such request and such release no Default shall have occurred and be continuing,

(ii) Grantor shall have delivered to the Secured Party, at least 10 Business Days prior to the date of the proposed release (or by such lesser notice as the Secured Party may approve), a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Secured Party and a certificate of Grantor to the effect that the transaction is in compliance with the Secured Documents and such other matters as the Secured Party may request, and

(iii) if any Secured Document provides for any application of the proceeds of any such sale, lease, transfer or other disposition, or any payment to be made, in connection therewith, such proceeds shall have been applied or payment made as provided therein.

(b) Upon, and only upon the indefeasible payment and satisfaction in full in cash of the Secured Obligations and the termination or expiration of all Commitments of the Lenders under the Credit Agreement and of the Credit Agreement and all Secured Hedging Contracts in accordance with the terms thereof, this Agreement and the security interest created hereby shall

terminate, all rights in the Collateral shall revert to Grantors and the Secured Party, at a Grantor's request and at its expense, will:

- (i) return to Grantor such of Grantor's Collateral in the Secured Party's possession as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and
- (ii) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

Notwithstanding the foregoing, Section 6.6 shall survive the termination of this Agreement.

(c) No Grantor is authorized to file any financing statement or amendment or termination statement with respect to any financing statement originally filed in connection with this Agreement without the prior written consent of the Secured Party, subject to Grantors' rights under Sections 9-509(d)(2) and 9-518 of the UCC.

Section 7.8. Security Interest Absolute; Recourse; Waivers.

(a) The obligations of Grantor under or in respect of this Agreement are independent of the Secured Obligations or any other obligation of any other Credit Party under or in respect of the Secured Documents, and a separate action or actions may be brought and prosecuted against Grantor to enforce this Agreement, irrespective of whether any action is brought against the Company or any other Credit Party or whether the Company or any other Credit Party is joined in any such action or actions.

(b) The obligations of Grantor hereunder shall not be affected by:

- (i) any voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshalling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement, or composition of any Credit Party;
- (ii) any other proceeding involving any Credit Party or any asset of any Credit Party under any law for the protection of debtors; or
- (iii) any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceeding against, any Credit Party, any property of any Credit Party, or the estate in bankruptcy of any Credit Party in the course of or resulting from any such proceeding.

(c) No action that the Secured Party or any other Beneficiary may take or omit to take in connection with any Secured Document, any Secured Obligation (or any other indebtedness owing by the Company to any Beneficiary), or any collateral security, and no course of dealing between any Beneficiary and the Company, any Grantor or any other Person, shall release or diminish Grantor's obligations, liabilities, agreements or duties hereunder, affect this Agreement, or afford Grantor any recourse against any Beneficiary, regardless of whether any such action or

inaction may increase any risk to or liability of any Beneficiary, the Company or any Grantor or increase any risk to or diminish any safeguard of any collateral security.

(d) The liability of Grantor under this Agreement shall be irrevocable, absolute and unconditional irrespective of, and Grantor irrevocably waives any defense that it may now have or hereafter acquire relating to, any or all of the following, (and Grantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Secured Documents and that the waivers set forth below and otherwise in this Agreement) are knowingly made in contemplation of such benefits):

(i) Any lack of validity or enforceability of any Secured Document, any agreement or instrument relating thereto, any defense arising by reason of any disability or other defense of any other Person or the cessation from any cause whatsoever of the liability of any other Person.

(ii) Any change in the time, manner or place of payment of, or in any other term of, any Secured Obligation or any other Obligation of any other Credit Party in respect of the Secured Documents, or any other amendment or waiver of or any consent to departure from any Secured Document, including any increase in the Secured Obligations resulting from the extension of additional credit to any Credit Party or any of its Subsidiaries or otherwise.

(iii) Any taking, exchange, release or non-perfection of any collateral security, or any taking, release or amendment or waiver of, or consent to departure from any other guaranty of any Secured Obligation.

(iv) Any manner of application of collateral security, or proceeds thereof, to any Secured Obligation, or any manner of sale or other disposition of any collateral security securing any Secured Obligation or any other obligation of any Credit Party under the Secured Documents or any other asset of any Credit Party or any of its Subsidiaries and any other obligation to marshal assets.

(v) Any right to require any Beneficiary to proceed against any other Person, to exhaust any collateral security for the Secured Obligations, to have any other Person joined with Grantor in any suit arising out of the Secured Obligations or this Agreement or to pursue any other remedy in any Beneficiary's power.

(vi) Any change, restructuring or termination of the corporate structure or existence of any Credit Party or any of its Subsidiaries.

(vii) Any failure of any Beneficiary to disclose to any Credit Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party now or hereafter known to such Beneficiary (each Grantor waiving any duty on the part of the Beneficiaries to disclose such information).

(viii) Any failure of any other Person to execute or deliver this Agreement, any supplement hereto or any guaranty or other agreement.

(ix) Any release or reduction of the liability of any Grantor or surety with respect to the Secured Obligations or any other compromise or settlement of the Secured Obligations.

(x) Promptness, diligence, notice of acceptance, presentment, demand for performance and notice of acceptance, non-performance, default, intention to accelerate, acceleration, protest or dishonor and, to the extent permitted by Law, any other notice with respect to any Secured Obligation and this Agreement, including notice of acceptance of this Agreement and all rights of Grantor under §34.02 of the Texas Business and Commerce Code, as amended.

(xi) Any requirement that any Beneficiary protect, secure, perfect or insure any Lien or any property subject thereto.

(xii) Any right to revoke this Agreement.

(xiii) Any election of remedies by any Beneficiary that in any manner impairs, reduces, releases or otherwise adversely affects any collateral security or any subrogation, reimbursement, exoneration, contribution or indemnification right of Grantor or other right of Grantor to proceed against any other Credit Party, any other Grantor, any other Person or any collateral security.

(xiv) Any right of set-off or counterclaim against or in respect of the Obligations of Grantor hereunder.

(xv) Any neglect, failure or refusal to take any action:

(A) for the collection or enforcement of any Secured Obligation,

(B) to realize on any collateral security,

(C) to enforce any Secured Document,

(D) to file or enforce a claim in any bankruptcy or other insolvency proceeding

(E) in connection with the administration of any Secured Document or

(F) otherwise concerning the Secured Obligations or the Secured Documents,

or any delay in taking any such action.

(xvi) The fact that any Grantor may have incurred directly any Secured Obligation or is otherwise primarily liable therefor.

(xvii) Any duty of any Beneficiary to disclose to Grantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance,

properties or prospects of any other Credit Party or any of its Subsidiaries now or hereafter known by such Beneficiary.

(xviii) Any defense to the recovery by any Beneficiary against Grantor of any deficiency after a non-judicial sale and any defense or benefit that may be afforded by applicable Law (and in that connection Grantor acknowledges that the Secured Party may, without notice to or demand upon Grantor and without affecting the liability of such Grantor under this Agreement, foreclose under any mortgage by non-judicial sale).

(xix) Any statute of limitations applicable to the Secured Obligations.

(xx) To the extent permitted by Law, any other circumstance or any existence of or reliance on any representation by any Beneficiary that might otherwise constitute a defense available to, or a discharge of, Grantor, any Credit Party or any other Grantor or surety.

(xxi) Until all of the Secured Obligations shall have indefeasibly been paid in cash in full:

(A) any right to subrogation;

(B) any right to enforce any remedy that the Secured Party or any other Beneficiary has or may hereafter have against any other Person; and

(C) any benefit of and any right to participate in any other security whatsoever now or hereafter held by the Secured Party

(e) This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Secured Obligation is rescinded or must otherwise be returned by any Beneficiary as a result of the insolvency, bankruptcy or reorganization of any Credit Party or otherwise, all as though such payment had not been made, and the Grantor will pay such amount to the applicable Beneficiary on demand. Any transfer by subrogation that is made as contemplated in Section 7.2 prior to any such payment shall (regardless of the terms of such transfer) be automatically voided upon the making of any such payment or payments, and all rights so transferred shall thereupon automatically revert to and be vested in the Beneficiaries.

Section 7.9. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],² WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Section 7.10. Final Agreement. This Agreement and the other Secured Documents represent the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the parties hereto.

² NTD: Under review by Lender Parties.

Section 7.11. Facsimile. This Agreement may be validly delivered by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

Section 7.12. Acceptance by the Secured Party. By their acceptance of the benefits hereof, the Secured Party and the Beneficiaries shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 7.13. Jurisdiction, Etc.³ **THE SECURED PARTY MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT OR OUT OF ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. GRANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GRANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GRANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH SECURED PARTY ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.**

Section 7.14. Waiver of Jury Trial, Punitive Damages, etc. **GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:**

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN

³ NTD: Under review by Lender Parties.

CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND SECURED PARTY AND/OR ANY BENEFICIARY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GRANTOR UNDER THIS AGREEMENT TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES" AS DEFINED BELOW,

(c) CERTIFIES THAT NO BENEFICIARY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY BENEFICIARY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH BENEFICIARY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER SECURED DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY BENEFICIARY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH BENEFICIARY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY

LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

[The remainder of this page is intentionally left blank.]

TK Draft 9/17/15

IN WITNESS WHEREOF, Grantor has executed and delivered this Agreement as of the date first-above written.

GRANTOR:

ERG PLAN TRUST

By: _____

Name:

Title:

Address for Notices:

[Address 1]

[Address 2]

[City, State Zip]

[Attn: _____]

TK Draft 9/17/15

SCHEDULE 1
to
PLEDGE AGREEMENT

EQUITY AND RELATED MATTERS

<u>Grantor</u>	<u>Issuer</u>	<u>Type of Equity Interest</u>	<u>Percentage Interest</u>	<u>Certificate No.</u>	<u>Agreements</u>
ERG Plan Trust	ERG Intermediate Holdings, LLC	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement dated as of [], 2015

TK Draft 9/17/2015

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO

Thompson & Knight LLP
One Arts Plaza
1722 Routh Street, Suite 1500
Dallas, Texas 75201-2533
Attention: Jerry Sanders

Space above for Recorder's Use

MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

CA

When recorded or filed, return to:
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attn: Jerry Sanders

MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

FROM

ERG RESOURCES, L.L.C.

TO

LAWRENCE C. ADAMS, TRUSTEE

FOR THE BENEFIT OF

CLMG CORP., AGENT

Dated [_____], 2015

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS, AMONG OTHER THINGS, (A) GOODS WHICH ARE OR ARE TO BECOME FIXTURES RELATED TO THE REAL PROPERTY DESCRIBED HEREIN, AND (B) AS-EXTRACTED COLLATERAL RELATED TO THE REAL PROPERTY DESCRIBED HEREIN (INCLUDING OIL, GAS AND OTHER MINERALS AND ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR MINEHEAD THEREOF). THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE, MORTGAGE, OR COMPARABLE RECORDS OF THE COUNTIES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING AND AS A

FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

[A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.]

THIS DOCUMENT PREPARED BY:

Debra Villarreal
Thompson & Knight, L.L.P.
1722 Routh Street, Suite 1500
Dallas, Texas 75201

MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this "**Mortgage**")

RECITALS

A. ERG Resources, L.L.C., a Texas limited liability company ("**Mortgagor**"), CLMG Corp. as administrative agent, and the lenders party thereto have entered into that certain Revolving Credit Agreement (Exit Facility) dated as of _____, 2015 (as from time to time amended, supplemented or restated, the "**Credit Agreement**"), pursuant to which the lenders party thereto have made certain loans and other extensions of credit and provided certain commitments to Mortgagor.

B. Pursuant to the Credit Agreement, Mortgagor is required to execute and deliver this Mortgage to secure its obligations under the Credit Agreement, and Mortgagor has duly authorized the execution, delivery and performance of this Mortgage.

ARTICLE I.

Granting Clauses; Secured Indebtedness

Section 1.1. Grant and Mortgage. Mortgagor, for and in consideration of the sum of One Thousand Dollars (\$1,000) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN, WARRANT AND SET OVER to Lawrence C. Adams, Trustee (the "**Trustee**"), for the benefit of Agent, the Lenders and the other Secured Parties (as herein defined), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and as allowed by applicable law) with respect to those of the following described properties, rights and interests (the "**Mortgaged Properties**"):

A. The oil, gas or other mineral leases, properties, mineral servitudes and mineral rights that are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in and to (i) the leases or other agreements described in Exhibit A hereto, together with all renewals, extensions, substitutions, ratifications, supplements and replacements thereto, (ii) any other leases or agreements which cover or pertain to the lands described or referred to in Exhibit A, even if such leases or other agreements are not described or are incorrectly or insufficiently described on Exhibit A, together with all renewals, extensions, substitutions, ratifications, supplements and replacements thereto, and (iii) the lands described or referred to in Exhibit A (or described or referred to in any of the instruments described or referred to in Exhibit A), in each case without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A hereto;

C. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to or under all presently existing and hereafter created oil, gas or mineral unitization, pooling or communitization agreements, declarations or orders, and in and to the properties, rights and interests covered and the units

created thereby (including units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clauses A or B above;

D. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to or under all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, purchase, exchange and processing contracts and agreements, transportation agreements, utility agreements, gathering agreements, gas balancing agreements, farmout or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, licenses, permits, and other contracts, agreements or regulatory approvals which cover, affect, or otherwise relate to the properties, rights and interests described in clauses A, B or C above or to the operation of such properties, rights and interests or to the production, exchange, treating, handling, storage, processing, transporting, sale, purchase, or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to and under all improvements, facilities, infrastructure, equipment, fixtures, and other real, immovable, personal or movable property (including all platforms, wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all fee interests, easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clauses A, B, C or D above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All of Mortgagor's rights, estates, powers and privileges appurtenant to any of the foregoing.

TO HAVE AND TO HOLD the Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth. Mortgagor will warrant and defend title to the Property (as hereinafter defined), free and clear of all liens, security interests and encumbrances except for "**Permitted Liens**" (as defined in the Credit Agreement, and herein so called) against the claims and demands of all Persons claiming to or claim the same on any part thereof.

Section 1.2. Scope of Mortgage. This Mortgage is a mortgage, a security agreement, a financing statement and an assignment. This Mortgage covers real property, immovable property, movable property, and personal property (including goods that are or are to become fixtures and as-extracted collateral), and all proceeds thereof.

Section 1.3. Grant of Security Interest. In order to further secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as herein defined) for the benefit of itself, the Lenders and the other Secured Parties a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) the Mortgaged Properties, to the extent the Mortgaged Properties consist of fixtures and personal property;

(b) all oil, gas, other hydrocarbons, and other minerals at any time produced from or allocated to the Mortgaged Properties and all products processed or obtained therefrom (herein collectively called the **"Production"**), together with all accounts arising out of the sale of Production and all other proceeds of Production (regardless of whether or not the Production, such accounts and such proceeds constitute "as extracted collateral" under the UCC), and all liens and security interests securing payment of the proceeds of Production, including those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(c) without limitation of any other provisions of this Section 1.3, all payments received in lieu of Production (regardless of whether such payments accrued, or the events which gave rise to such payments occurred on, before or after the date hereof), including "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (c) being herein called **"Payments in Lieu of Production"**);

(d) all equipment, inventory, improvements, fixtures, accessions, goods, and other personal property or movable property of whatever nature, now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(e) all accounts, contracts, contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder) and general intangibles of any kind (regardless of whether the same arose, or the events which gave rise to the same occurred, on or before or after the date hereof), in any way related to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator or otherwise), or the treating, handling, separation, stabilization, storing, processing, transporting, gathering, sale or marketing of Production (including any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(f) without limitation of or by the foregoing, all rights and interests of Mortgagor under any Hedging Contract now or hereafter existing;

(g) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which data is now or hereafter in the possession of Mortgagor

or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, and other forms of recording or obtaining access to such data;

(h) without limitation of or by any of the foregoing, all rights, titles and interests now owned or hereafter acquired by Mortgagor in any and all goods, inventory, equipment, as-extracted collateral, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f) and (g) above, subsection (i) below, and this subsection (h) being herein sometimes collectively called the “**Collateral**”); and

(i) all proceeds of the Collateral (the Mortgaged Properties, the Collateral and the proceeds of the Mortgaged Properties and of the Collateral being herein sometimes collectively called the “**Property**”);

provided, however, that if the grant of a security interest or Lien under Section 1.1 or this Section 1.3 with respect to any contract, easement, right of way, surface lease, or personal property lease is prohibited thereunder and the violation of such prohibition would cause Mortgagor to lose its interest in or rights with respect to such contract, easement, right of way, surface lease, personal property lease or other agreement, then Mortgagor shall be deemed not to have granted such security interest or Lien therein or thereon to the extent that such prohibition is enforceable and applicable.

Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the UCC, as defined below, shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect on the date of this Mortgage, such amendment or holding shall be disregarded in defining terms used in this Mortgage.

Section 1.4. Loan Documents, Hedging Obligations, and Other Obligations. This Mortgage is made to secure and enforce the payment and performance of the following obligations, indebtedness, loans and liabilities:

(a) All indebtedness and other obligations of Mortgagor now or hereafter incurred or arising pursuant to the provisions of the Credit Agreement, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part;

(b) The “**Loans**” (as defined in the Credit Agreement and used with the same meaning herein) in the aggregate principal amount of up to \$150,000,000 that may be made from time to time by Lenders to Mortgagor pursuant to the Credit Agreement, and all promissory notes evidencing such Loans, bearing interest as now or hereafter provided in the Credit Agreement and

having a final maturity date on or before [_____], 2018¹ unless otherwise extended pursuant to the Credit Agreement or by amendment thereto;

(c) Payment and performance of all Secured Hedging Obligations;

(d) All indebtedness and other obligations of Guarantors now or hereafter incurred or arising pursuant to the provisions of that certain Guaranty dated as of _____, 2015, made by Guarantors in favor of Agent, Lenders and the other Secured Parties and all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Guaranty as the same may from time to time be supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the “**Guaranty**”);

(e) All other “Secured Obligations”, as defined in the Credit Agreement, and all other indebtedness and other obligations owing to any Secured Party that are now or hereafter owing, incurred or arising pursuant to the provisions of the Credit Agreement, this Mortgage or any other instrument now or hereafter evidencing, governing or securing the “secured indebtedness” (as hereinafter defined) or any part thereof or otherwise executed in connection with any advance or loan evidenced or governed by the Credit Agreement (the Credit Agreement, any and all promissory notes issued thereunder, this Mortgage and such other instruments being herein sometimes collectively called the “**Loan Documents**”); and

(f) All interest on any of the foregoing, whether presently or hereafter agreed to, and all costs and expenses of Trustee and Agent in enforcing their rights and remedies hereunder.

Without limiting the generality of the foregoing, this Mortgage secures the payment of all amounts that constitute part of the secured indebtedness and would be owed by Mortgagor to any Lender under any Loan Document or to any Secured Third Party Hedge Counterparty with regard to its Secured Hedging Obligations but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Mortgagor.

Section 1.5 Certain Defined Terms.

(a) The indebtedness referred to in Section 1.4, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the “**secured indebtedness**” or the “**indebtedness secured hereby**”.

(b) “**Applicable Rate**” means the Default Rate (as defined in the Credit Agreement).

(c) “**Credit Parties**” means, collectively, Mortgagor and each Guarantor, and “**Credit Party**” means any of them.

(d) “**Guarantors**” means, collectively, Parent and each Person that is directly or indirectly (through one or more intermediaries) controlled by or owned more than fifty percent by Mortgagor, and “**Guarantor**” means any of them.

¹ NTD: To be three years from the Closing Date.

(e) **“Hedging Contract”** means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

(f) **“Indemnified Persons”** means Trustee, each Secured Party, and each director, officer, agent, trustee, attorney, employee, representative and affiliate of or for any such Person.

(g) **“Parent”** means ERG Intermediate Holdings, LLC, a Texas limited liability company.

(h) **“Person”** means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, governmental agency or authority, or any other legally recognizable entity.

(i) **“Secured Hedging Obligations”** means all obligations arising from time to time under Hedging Contracts permitted by the Loan Documents and entered into from time to time between any Credit Party and a Secured Third Party Hedge Counterparty; provided that if such Secured Third Party Hedge Counterparty ceases to be a Secured Third Party Hedge Counterparty, the Secured Hedging Obligations shall only include such obligations to the extent arising from transactions entered into at or prior to the time such counterparty was a Secured Third Party Hedge Counterparty and shall not include any obligations arising from any transaction entered into after such counterparty ceases to be a Secured Third Party Hedge Counterparty.

(j) **“Secured Parties”** means Agent, Lenders, any Secured Third Party Hedge Counterparty to which any Secured Hedging Obligation is owed and any other Person to which any Secured Obligation is owed.

(k) **“Secured Third Party Hedge Counterparty”** means any Person satisfactory to Agent in its sole and absolute discretion that is a counterparty of any Credit Party to a Secured Hedging Contract, in each case only if that counterparty has executed and delivered a Collateral Sharing Agreement (as defined in the Credit Agreement).

(l) **“UCC”** means the Uniform Commercial Code as enacted from time to time as part of the laws applicable to this Mortgage pursuant to Section 5.23.

ARTICLE II.

Representations, Warranties and Covenants

Section 2.1. Mortgagor represents, warrants, and covenants as follows:

(a) **Title and Liens.** Mortgagor has, and Mortgagor covenants to maintain, good and defensible title to the fee interests in real property and the oil and gas leasehold interests comprising the Property, in each case free and clear of all liens, security interests, and encumbrances except for Permitted Liens. The ownership by Mortgagor of the Mortgaged Properties does and will, with respect to each well or unit identified on Schedule I attached hereto and made a part hereof, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal or percentage share of the oil, gas and other hydrocarbons produced from, or

allocated to, such well or unit equal to not less than the decimal or percentage share set forth, for such well or unit, in the column headed "Net Revenue Interest," "NRI" or words of similar import on Schedule I, and cause Mortgagor to be obligated to bear a decimal or percentage share of the cost of operation of such well or unit equal to not more than the decimal or percentage share set forth for such well or unit in the column headed "Working Interest," "WI", or words of similar import on Schedule I. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of any applicable operating agreements in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Schedule I.

(b) Defense of Mortgage. If the validity or priority of this Mortgage or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and each of Trustee and Agent (whether or not named as a party to legal proceedings with respect thereto) is hereby authorized and empowered to take such additional steps as in its judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests except for Permitted Liens, and all expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the Person receiving such payment.

(c) Insurance. Mortgagor will carry insurance as required under the Credit Agreement. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall, to the maximum extent permitted under applicable law, thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title.

(d) Further Assurances. Mortgagor will, on request of Agent, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; and (ii) execute, acknowledge, deliver and record or file such further instruments (including further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be reasonably necessary to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including any renewals, additions, substitutions, replacements, or appurtenances to the Property. Mortgagor shall pay all reasonable costs connected with any of the foregoing.

(e) Not a Foreign Person. Mortgagor is not a “foreign person” within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the “Code”), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2. Compliance by Operator. As to any Mortgaged Property that is not a working interest, Mortgagor agrees to take all commercially reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor to cause the owner or owners of the working interest in or related to such Mortgaged Property to comply with Mortgagor’s covenants and agreements contained herein with respect to such Mortgaged Property; and as to any part of the Mortgaged Properties that is a working interest but is operated by a Person other than Mortgagor, Mortgagor agrees to take all commercially reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause such Person to comply with covenants and agreements contained herein with respect to such Mortgaged Property.

Section 2.3. Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which Mortgagor is required to perform or take hereunder or under any of the Loan Documents, or to pay any money which hereunder Mortgagor is required to pay and any such failure constitutes an Event of Default, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by Mortgagor to Agent (which obligation Mortgagor hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Agent and/or any Lender pursuant to this Section 2.3 or other sections of this Mortgage that specifically refer to this Section 2.3 shall bear interest each day, from the date of such expenditure or payment until paid, at the Applicable Rate; all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

Section 2.4. Recording. Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Agent shall reasonably request and will pay all such recording, filing, re recording and refiling taxes, fees and other charges.

Section 2.5. Release of Mortgage; Survival of Indemnities; Reinstatement. If all of the secured indebtedness shall be paid in full and no further obligation shall exist to provide credit or advance funds to Mortgagor or the maker of any promissory note secured hereby or any other obligor that owes secured indebtedness, then, at Mortgagor’s request and expense, Agent shall execute a release of this Mortgage as provided in the Credit Agreement. Notwithstanding any release of this Mortgage (and whether or not expressly reserved in any instrument of release), the indemnifications and other rights that this Mortgage or the Credit Agreement contemplate will continue in effect following the release hereof and shall continue in effect unaffected by such release. If any payment of any secured indebtedness is held to constitute a preference or a voidable transfer under applicable state or federal laws, or if for any other reason any Lender, Agent or any Secured Party is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

ARTICLE III.

Assignment of Production, Accounts, and Proceeds

Section 3.1. Assignment of Production and Production Proceeds. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Agent (a) all Production and all other as-extracted collateral that relates or accrues to Mortgagor's interests in the Mortgaged Properties and (b) all proceeds of the foregoing (including all as-extracted collateral constituting proceeds) and all Payments in Lieu of Production (which proceeds and Payments in Lieu of Production are herein collectively called "**Production Proceeds**"), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor's interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchaser of Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2. Effectuating Payment of Production Proceeds to Agent. Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Agent as Mortgagor's special attorney-in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe), in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly including, but not limited to, the right, power and authority to:

(a) execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) if under any production sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by

Agent through any Person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All Persons dealing with Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a demand obligation of Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the Applicable Rate.

Section 3.3. Change of Purchaser. To the extent an Event of Default has occurred and is continuing, should any Person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds after receipt of any written demand required by Section 3.7 hereof, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4. Application of Production Proceeds. All Production Proceeds received by Agent shall be applied or held by Agent in accordance with the provisions of the Credit Agreement.

Section 3.5. Release From Liability; Indemnification. Agent and its successors and assigns are hereby released and absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. Mortgagor agrees to indemnify and hold harmless each Indemnified Person from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by any Indemnified Person by reason of the assertion that any Indemnified Person received, either before or after payment in full of the secured indebtedness, Production Proceeds or other funds claimed by third Persons (and/or funds attributable to sales of Production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Agent shall have the right to defend against any such claims or actions, for the benefit of itself and the other Indemnified Persons, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to Agent, each Indemnified Person shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by any Indemnified Person in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by any Indemnified Person pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor and payable to Agent for the benefit of the Indemnified Persons and shall be secured hereby and bear interest, from the date expended until paid, at the Applicable Rate. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, foreclosure of this Mortgage or conveyance in lieu of foreclosure, or other termination, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL**

DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY. However, such indemnities shall not apply to any particular Indemnified Person (but shall apply to the other Indemnified Persons) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular Indemnified Person.

Section 3.6. Mortgagor's Absolute Obligation to Pay Loans. Nothing herein contained shall detract from or limit the obligations of Mortgagor to pay the secured indebtedness in accordance with the terms thereof, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights under the Loan Documents.

Section 3.7. Payment of Proceeds. In the event that, for its convenience Agent should elect with respect to the Mortgaged Property or any portions thereof not to exercise immediately its right to receive Production or proceeds or revenues therefrom, then the purchasers or other Persons obligated to make such payment shall continue to make payment to Mortgagor until such time as written demand has been made upon them by Agent that payment be made directly to Agent. Such failure to notify such purchasers or other Persons shall not in any way waive, remit or release the right of Agent to receive any payments not theretofore paid over to Mortgagor before the giving of written notice. In this regard, in the event payments are made direct to Agent, and then, at the request of Agent payments are, for a period of time, paid to Mortgagor, Agent shall nevertheless have the right, effective upon written notice, to require future payments be again made to it.

ARTICLE IV.

Remedies Upon Default

Section 4.1. Default. The term "Event of Default" as used in this Mortgage shall mean the occurrence of an "Event of Default" as defined in the Credit Agreement.

Section 4.2. Acceleration of Secured Indebtedness. The maturity of the secured indebtedness may be (and in certain circumstances shall automatically be) accelerated as provided in the Credit Agreement or certain Hedging Contracts.

Section 4.3. Pre-Foreclosure Remedies. Upon the occurrence and during the continuance of an Event of Default, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor, including, but not limited to, summary proceeding or restraining order. Mortgagor agrees to peacefully surrender possession of the Property if requested by Agent. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the Applicable Rate, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, **AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR OR ANY**

AFFILIATE OF MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT (INCLUDING AGENT'S OWN NEGLIGENCE OR STRICT LIABILITY) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF AGENT, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Lien or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3, other than gross negligence, willful misconduct or bad faith of Agent.

Section 4.4. Foreclosure.

(a) Upon the occurrence and during the continuance of an Event of Default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(b) Mortgagor specifically requests that a copy of any notice of an Event of Default and a copy of any notice of sale under this Mortgage be mailed to Mortgagor at the address for Mortgagor specified in this Mortgage.

(c) Upon the occurrence of an Event of Default, Agent may exercise its rights of enforcement with respect to the Collateral under the UCC or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at one or more places reasonably designated by Agent to allow Agent to take possession or dispose of the Collateral; and

(iii) written notice mailed to Mortgagor as provided herein at least ten (10) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests created or evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) Agent shall have full power and authority to act as Mortgagor's attorney-in-fact, and Mortgagor hereby grants to Agent appropriate powers of attorney to act for and on behalf of Mortgagor, in all dealings with the Department of Interior and all other agencies, departments and subdivisions of the United States of America and of all states in all transactions relating to the Property or any part thereof. Mortgagor hereby authorizes and directs all such agencies, departments and subdivisions to rely upon any writing from Agent asserting that a default has occurred and is continuing, without inquiry into whether or not such default actually occurred and is continuing, and Mortgagor agrees that the exercising by Agent of such powers of attorney may be relied upon in all respects and, as between Mortgagor and such agency, department or subdivision, shall be binding upon Mortgagor.

(d) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, respectively, may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded. Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any Event of Default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given by Agent, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done by any Person, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

Section 4.5. Effective as Mortgage. This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of an Event of Default may be foreclosed as to the Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so

effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Mortgaged Properties to Agent to secure the payment and performance of the secured indebtedness. In the event a foreclosure hereunder as to the Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6. Receiver. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence and during the continuance of an Event of Default, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any Person or Persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. In the event a receiver is appointed, Mortgagor expressly waives the necessity for bond; provided that Mortgagor has received due notice of a hearing for the appointment of a receiver and an accounting by the receiver. Nothing herein is to be construed to deprive Agent or any other Secured Party of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall be secured hereby and bear interest, from the date of making such advancement by Agent until paid, at the Applicable Rate.

Section 4.7. Proceeds of Foreclosure. The proceeds of any sale held in foreclosure or other enforcement of the liens and/or security interests created or evidenced hereby shall be applied:

FIRST, to the payment of all costs and expenses incident to such foreclosure sale or other enforcement, including but not limited to all court costs and charges of every character in the event foreclosed by suit or any judicial proceeding and including, but not limited to, a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a);

SECOND, to the payment of the secured indebtedness in accordance with the Credit Agreement (or to be held as cash collateral in accordance therewith); and

THIRD, the remainder, if any there shall be, shall be paid to Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other Persons as may be entitled thereto by law.

Section 4.8. Lender as Purchaser. Any Secured Party (or any Secured Parties acting together) shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests created or evidenced hereby, and any Secured Party purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Secured Party, or if such Secured Party holds less than all of such indebtedness, the pro rata part thereof owing to such Secured Party, accounting to all other Secured Parties not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Secured Party or Secured Parties.

Section 4.9. Foreclosure as to Matured Debt. Upon the occurrence and during the continuance of an Event of Default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests created or evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made. The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied or held as provided in Section 3.4. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10. Remedies Cumulative. All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests created or evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11. Discretion as to Security. Agent and Trustee may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Agent in its sole and absolute discretion, and any such action (or any delay in taking or decision not to take such action) shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests created or evidenced by this Mortgage.

Section 4.12. Mortgagor's Waiver of Certain Rights. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all Persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisal, valuation, stay of execution, redemption, any "one action" or "anti-deficiency" law or any other law which may prevent Agent, any Lender, and/or any Secured Party from bringing any action, including a claim for deficiency, before or after the commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other Persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13. Mortgagor as Tenant Post-Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other Persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

ARTICLE V.

Miscellaneous

Section 5.1. Effective as a Financing Statement. This Mortgage, among other things, covers goods which are or are to become fixtures on the real/immovable property described herein, and covers as-extracted collateral relating to the real/immovable property described herein. This Mortgage shall be effective as a financing statement (i) filed as a fixture filing with respect to all fixtures included within the Property, (ii) covering as-extracted collateral with respect to all as-extracted collateral included within the Property (including, without limitation, all oil, gas, other minerals and other substances of value which may be extracted from the earth and all accounts arising out of the sale at the wellhead or minehead thereof, and (iii) covering all other Property. This Mortgage is to be filed for record in the real property records of each county where any part of the Mortgaged Properties is situated, and may also be filed in the offices of the Bureau of Land Management or the Bureau of Ocean Energy Management, Regulation and Enforcement or any federal, state or local agency (or any successor agencies). This Mortgage shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage.

Section 5.2. Reproduction of Mortgage as Financing Statement. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in Section 5.1. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file one or more financing statements, or renewal or continuation statements thereof, describing the Collateral as Agent deems appropriate (including any such financing statement, renewal or continuation statement that describes the Collateral as "all assets" or "all personal property" of Mortgagor).

Section 5.3. Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, upon the occurrence and during the continuance of an Event of Default, Agent may notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

Section 5.4. Waivers. As provided in the Credit Agreement, Agent or Lenders may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or

release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.5. No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.6. Acts Not Constituting Waiver. Any Event of Default may be waived without waiving any other prior or subsequent Event of Default. Any Event of Default may be remedied without waiving the Event of Default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of an Event of Default.

Section 5.7. Mortgagor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a Person other than Mortgagor, then, without notice to Mortgagor, Trustee, Agent and the other holders of secured indebtedness may deal with such successor or successors in interest, with respect to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the secured indebtedness or performance of the obligations secured hereby or the liability of any other Person hereunder or for the payment of the indebtedness secured hereby.

Section 5.8. Place of Payment. All secured indebtedness which may be owing hereunder at any time by Mortgagor shall be payable in the State of [New York]² at such place that is designated in the Credit Agreement (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place in the State of [New York] as Agent may designate in writing.

² NTD: Under review by Lender Parties.

Section 5.9. Subrogation to Existing Liens. To the extent that proceeds of the Loans have been used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the Lenders (and Trustee and Agent on behalf of the Lenders) shall be subrogated to any and all rights, security interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.10. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.11. Compliance With Usury Laws. It is the intent of Mortgagor, Agent, Lenders and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that, as more fully provided in the Credit Agreement, none of the terms and provisions contained herein shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be collected, charged, taken, reserved, or received by applicable law from time to time in effect.

Section 5.12. Substitute Trustee. The Trustee may resign by an instrument in writing addressed to Agent, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one Person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall also have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this section. Such appointment and designation by Agent shall be full evidence of the right and authority to make the same and of all facts therein recited. If Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee (other than the benefits of the indemnities, immunities and releases provided herein and in the other Loan Documents, which will inure both to the former Trustee and to the successor or substitute Trustee); but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges,

immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.13. No Liability for Trustee. **THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.14. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered in compliance with the Credit Agreement. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Secured Party or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.15. Invalidity of Certain Provisions. A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any Person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other Persons or circumstances.

Section 5.16. Interpretation, etc. All references in this Mortgage to Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions of this Mortgage unless expressly provided otherwise. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all amendments, supplements or restatements thereof. Titles appearing at the beginning of any subdivisions hereof are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Mortgage", "this instrument", "herein", "hereof", "hereby", "hereunder"

and words of similar import refer to this Mortgage as a whole and not to any particular subdivision unless expressly so limited. The phrases “this section” and “this subsection” and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word “or” is not exclusive, and the word “including” (in its various forms) means “including without limitation”. References to a Person’s “discretion” means its sole and absolute discretion. Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns. This Mortgage has been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow this Mortgage to be construed against any party because of its role in drafting this Mortgage.

Section 5.17. Certain Consents. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Secured Party is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party, and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 5.18. Certain Obligations of Mortgagor. Without limiting Mortgagor's obligations hereunder, Mortgagor's liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 5.19. Authority of Agent. Agent and Lenders may, by agreement among themselves, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such Persons and recorded in the same counties as this Mortgage is recorded, (i) all Persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Secured Parties, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any Persons constituting Secured Parties and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Section 5.20. Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A and Schedule I which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A and Schedule I shall be included in such counterparts by reference only. All of the counterparts hereof shall constitute one and the same instrument. Executed counterparts of this Mortgage containing the entire Exhibit A and Schedule I have been retained by Mortgagor and Agent.

Section 5.21. Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and the other Secured Parties and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties.

Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lenders (including the respective successors and assigns of each Person constituting a Lender) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Agent, Trustee, Lenders, Secured Third Party Hedge Counterparties or Secured Parties shall be deemed to include all such successors and assigns.

Section 5.22. FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.23. CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF [NEW YORK]³ APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA], EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF AGENT, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE AGENT GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.]

Section 5.24. WAIVER OF JURY TRIAL. MORTGAGOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MORTGAGE, ANY OTHER LOAN DOCUMENT, OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. TRUSTEE, AGENT, ANY LENDER AND/OR ANY SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF MORTGAGOR TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY.

[Remainder of page intentionally left blank]

³ NTD: Under review.

IN WITNESS WHEREOF, this instrument is executed by Mortgagor on the date set forth in the respective acknowledgements below, to be effective for all purposes as of the date first written above.

ERG RESOURCES, L.L.C.

By: _____
Name: _____
Title: _____

The address of Agent is:

7195 Dallas Parkway
Plano, Texas 75024

The address of Mortgagor is:

[Address]
[City, State, Zip]

The address of the Trustee is:

Hunton & Williams LLP
1445 Ross Avenue Suite 3700
Dallas, Texas 75202

This instrument prepared by:

Debra Villarreal
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201

CLMG CORP.,
as Agent

By: _____
Name:
Title:

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF TEXAS

§
§
§

COUNTY OF HARRIS

On this _____ day of _____, 2015 before me,
_____, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the
within instrument and acknowledged to me that he executed the same in his authorized capacity, and that
by his signature on the instrument the persons or the entities upon behalf of which he acted, executed the
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Print Name: _____

My commission expires:

[ACKNOWLEDGMENT PAGE]

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A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF TEXAS

§§§

COUNTY OF _____

On this _____ day of _____, 2015 before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the persons or the entities upon behalf of which he acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Print Name: _____

My commission expires:

EXHIBIT E

Form of Exit Facility ORRI

When recorded, please return to:
Jerry Sanders
Thompson & Knight LLP
One Arts Plaza
1722 Routh Street, Suite 1500
Dallas, Texas 75201

CONVEYANCE OF OVERRIDING ROYALTY INTEREST

THIS CONVEYANCE OF OVERRIDING ROYALTY INTEREST (as from time to time supplemented or amended, this “Conveyance”), dated as of the date set out at the end hereof, is made from and by ERG Resources, L.L.C., a Texas limited liability company (herein called “WI Owner”), to and in favor of LNV Corporation, a Nevada corporation (herein called “Royalty Owner”).

ARTICLE I

Defined Terms

Section 1.1. Defined Terms. When used in this Conveyance or in any exhibit or schedule hereto (unless otherwise defined in any such exhibit or schedule), the following terms have the respective meanings assigned to them in this section or in the sections, subsections, exhibits and schedules referred to below:

“Affiliate” means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power

(a) to vote 10% or more of the securities or other equity interests (on a fully diluted basis) having ordinary voting power for the election of directors, the managing general partner or partners or the managing member or members; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Effective Time” means 7:00 a.m. local time at the locations of the Subject Interests, respectively, on _____, 2015.

“Environmental Laws” means any and all Laws relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

“Fixed Rate” means, for any day, the rate of twelve percent (12%) per annum, based on actual days elapsed and a year of 360 days; provided that the Fixed Rate shall never exceed the maximum nonusurious rate of interest that is permitted to be charged under applicable law.

“Hazardous Materials” means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise.

“Hydrocarbons” means oil, gas and all other minerals, whether or not similar to any of the foregoing (and including without limitation casinghead gas, condensate, sulphur, and lignite). As used herein, the term “Hydrocarbons” includes all extracted minerals and substances of any kind, whether organic or inorganic

“Internal Revenue Code” means the United States Internal Revenue Code of 1986, as amended from time to time and any successor statute or statutes, together with all rules and regulations promulgated with respect thereto.

“Law” means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the

United States or any state or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof. Any reference to a Law includes any amendment or modification to such Law, and all regulations, rulings, and other Laws promulgated under such Law.

“Marketing Terms and Conditions” has the meaning assigned to such term in Section 3.1.

“Month” means the period between 7:00 a.m. (local time, at the location of each Subject Interest) on the first day of each calendar month and 7:00 a.m. on the first day of the next succeeding calendar month.

“Net Revenue Interest” means a percentage share of the Hydrocarbons (and the proceeds thereof) produced and saved from or attributable to a particular lease, tract of land, fee mineral interest, royalty interest, overriding royalty interest, production payment, net profits interest or other interest in Hydrocarbons, in each case after deduction (as applicable) of all royalties, overriding royalties, production payments and similar burdens on production.

“NRI Percentage” means, with respect to each Subject Interest, the percentage set forth on Schedule I indicating WI Owner’s represented Net Revenue Interest in such Subject Interest.

“ORRI” has the meaning assigned to such term in Section 2.1.

“ORRI Hydrocarbons” means the Hydrocarbons attributable to the ORRI.

“ORRI Percentage” means three percent (3.00%).

“Permitted Encumbrances” means each of the following, to the extent existing on the date of delivery of this Conveyance:

(a) the contracts, agreements, burdens, encumbrances and other matters set forth as being applicable to certain of the Subject Interests in the descriptions of such Subject Interests on Exhibit A hereto;

(b) liens for taxes, assessments or other governmental charges or levies which are not due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted and for the payment of which WI Owner has reserved adequate funds;

(c) liens of contractors, subcontractors, carriers, warehousemen, mechanics, laborers or materialmen or other like liens arising by law or contract in the ordinary course of business for sums which are not due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted and for the payment of which WI Owner has reserved adequate funds;

(d) covenants, restrictions, easements, servitudes, permits, conditions, exceptions, reservations, minor rights, minor encumbrances, minor irregularities in title or conventional rights of reassignment prior to abandonment which do not materially interfere with the occupation, use and enjoyment by WI Owner or Royalty Owner of their respective interests in the Subject Interests in the normal course of business as presently conducted or to be conducted, materially impair the value thereof for the purpose of such business, or impair the value of the ORRI;

(e) liens of operators under joint operating agreements or similar contractual arrangements with respect to WI Owner’s proportionate share of the expense of exploration, development and operation of oil, gas and mineral leasehold or fee interests owned jointly with others, to the extent that such liens secure sums which are not due or which are being contested in good faith by appropriate action promptly initiated and diligently conducted and for the payment of which WI Owner has reserved adequate funds; and

(f) liens and security interests in favor of Royalty Owner or Affiliates of Royalty Owner, provided that the same are subject and subordinate to this Conveyance.

“Person” means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or

executor thereof, court or governmental unit or any agency or authority thereof, or any other legally recognizable entity.

“Reimbursable Expenses” means all reasonable and customary out of pocket costs and expenses paid or incurred by or on behalf of Royalty Owner which are related to: (a) the negotiation, acquisition, enforcement, or termination of the ORRI, this Conveyance, or any waivers or amendments hereto or thereto, or (b) any litigation, contest, release or discharge of any adverse claim or demand made or proceeding instituted by any Person affecting in any manner whatsoever the ORRI, any ORRI Hydrocarbons, this Conveyance, the enforcement or defense hereof or thereof, or the defense of Royalty Owner’s and its Affiliates’ exercise of their rights hereunder or thereunder. Included among the Reimbursable Expenses are (i) all recording and filing fees, (ii) all actual and reasonable fees and expenses of counsel, engineers, accountants and other consultants, experts and advisors for Royalty Owner and its Affiliates incurred by or on behalf of Royalty Owner pursuant to clause (a) or (b), and (iii) all amounts which Royalty Owner is entitled to receive hereunder and all costs of Royalty Owner in exercising any of its remedies hereunder.

“Release” means the disposition or release of Hazardous Materials, other than dispositions and releases done in material compliance with all applicable Laws and for which WI Owner otherwise has no material remedial obligations.

“Subject Hydrocarbons” means all Hydrocarbons in and under and that may be produced after the Effective Time from (or, to the extent pooled or unitized, allocated after the Effective Time to) the Subject Lands that are attributable to the Subject Interests.

“Subject Interests” means:

(a) All of the leasehold interests and other property interests described in Exhibit A attached hereto;

(b) Without limitation of the foregoing, all other right, title and interest (of whatever kind or character, whether legal or equitable and whether vested or contingent) of WI Owner in and to the Hydrocarbons in and under or that may be produced from any Subject Lands (including interests in oil, gas or mineral leases to the extent the same cover such lands, overriding royalties, production payments and net profits interests in such lands or such leases, and fee mineral interests, fee royalty interests and other interests in such Hydrocarbons) even though WI Owner’s interest in such Hydrocarbons may be incorrectly described in, or omitted from, Exhibit A; and

(c) All rights, titles and interests of WI Owner in and to, or otherwise derived from, all presently existing and valid oil, gas or mineral unitization, pooling, or communitization agreements, declarations or orders and in and to the properties covered and the units created thereby (including all units formed under orders, rules, regulations, or other official acts of any federal, state, or other authority having jurisdiction, voluntary unitization agreements, designations or declarations, and so-called “working interest units” created under operating agreements or otherwise) relating to the properties described in subsections (a) or (b) above in this definition.

“Subject Lands” means the lands described or referred to in Exhibit A or in the leases and other instruments described in Exhibit A.

“Subject Wells” means all wells now located on the Subject Lands (whether fully drilled and completed or not) or hereafter drilled on the Subject Lands, and (unless production therefrom is expressly excluded by the terms of the descriptions on Exhibit A) any other wells now or hereafter located on lands or leases pooled, communitized or unitized with the Subject Interests.

“WI Percentage” means, with respect to the various Subject Lands, the percentage set forth on Schedule I hereto indicating WI Owner’s Working Interest in such Subject Lands, generally by reference to “Working Interest,” “WI,” “WI Percentage” or words of similar import.

“Working Interest” means, with respect to any Subject Lands, the interest owned in oil and gas leaseholds or other Hydrocarbon interests pertaining to such Subject Lands (including

leasehold interests, operating rights interests or other cost-bearing interests, and mineral fee or ownership interests) that determines the percentage share of costs borne by the owner of such interest.

Section 1.2. Rules of Construction. All references in this Conveyance to articles, sections, subsections and other subdivisions refer to corresponding articles, sections, subsections and other subdivisions of this Conveyance unless expressly provided otherwise. Titles appearing at the beginning of any of such subdivisions are for convenience only and shall not constitute part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words “this Conveyance”, “this instrument”, “herein”, “hereof”, “hereunder” and words of similar import refer to this Conveyance as a whole and not to any particular subdivision unless expressly so limited. Unless the context otherwise requires: “including” and its grammatical variations mean “including without limitation”; “or” is not exclusive; words in the singular form shall be construed to include the plural and vice versa; words in any gender include all other genders; references herein to any instrument or agreement refer to such instrument or agreement as it may be from time to time amended or supplemented; and references herein to any Person include such Person’s successors and assigns. All references in this Conveyance to exhibits and schedules refer to exhibits and schedules to this Conveyance unless expressly provided otherwise, and all such exhibits and schedules are hereby incorporated herein by reference and made a part hereof for all purposes. This Conveyance has been drafted with the joint participation of WI Owner and Royalty Owner and shall be construed neither against nor in favor of either such party but rather in accordance with the fair meaning hereof.

ARTICLE II

Granting Provisions

Section 2.1. Granting Clause. For a good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, WI Owner does hereby GRANT, BARGAIN, SELL, TRANSFER, ASSIGN, CONVEY, WARRANT and DELIVER to Royalty Owner an overriding royalty interest carved out of each Subject Interest (collectively, the “ORRI”) equal to (and measured by) the ORRI Percentage of the NRI Percentage of all Hydrocarbons in, under and produced from or allocable to the Subject Lands. The ORRI is a non-participating interest, and Royalty Owner shall by this Conveyance have no interest in any bonus, rental, development or executive right in connection with any of the Subject Interests.

TO HAVE AND TO HOLD the ORRI unto Royalty Owner, its successors and assigns, forever. This Conveyance is made with full substitution and subrogation of Royalty Owner in and to all covenants and warranties by others heretofore given or made.

Section 2.2. Non-Cost-Bearing Interest. The ORRI and the ORRI Hydrocarbons shall be free and clear of (a) all costs and expenses associated with acquiring, exploring, developing, maintaining, producing, operating, reworking, recompleting, and remediating the Subject Interests, and (b) all royalties, overriding royalties, production payments, and similar charges burdening the Subject Interests; provided, however, that if diluent or other additive is injected into Subject Wells, and when royalties are paid to Royalty Owner in money, then royalties shall be paid to Royalty Owner upon the mixture of diluent and oil produced and saved from the Subject Lands and there shall be deducted from the royalties payable to Royalty Owner for such mixture produced and saved during any calendar month for such month of Royalty Owner’s proportional share of the actual cost to WI Owner of the diluent injected during such month into wells drilled on the Subject Lands. If WI Owner purchases diluent from anyone other than an independent third party (e.g., such as a trade or purchase from an affiliate), then such deduction for the diluent injected for a particular month shall be based on the lesser of (i) the price actually paid for such diluent, and (ii) the lowest average market price for diluent of like quality and type available in the location of each Subject Interest for the subject month. All of the foregoing costs and expenses, royalties, overriding royalties, production payments, and similar charges shall be paid by WI Owner promptly, on or before the dates the same become delinquent (unless being disputed in good faith by appropriate proceedings being diligently pursued and for which adequate reserves have been established). In addition, WI Owner will promptly (and in any event within 30 days after receiving any notice or statement for the same) pay all Reimbursable Expenses which have been incurred and are unpaid and will promptly reimburse Royalty Owner for any Reimbursable Expenses (or any other amounts that WI Owner is obligated to pay

hereunder) that are nonetheless paid by or on behalf of Royalty Owner. Each amount which is to be paid by WI Owner pursuant to this Conveyance that is instead paid by or on behalf of Royalty Owner shall bear interest at the Fixed Rate on each day from and including the date of such payment until but not including the date repaid by WI Owner.

Section 2.3. Measurement: Hydrocarbons Lost or Used. The ORRI shall not apply to any Hydrocarbons that are unavoidably lost in the production thereof or in the compression or transportation of Subject Hydrocarbons prior to the applicable point of sale or which are used by WI Owner or the operator of any Subject Well for the production of Subject Hydrocarbons or for the compression or transportation thereof prior to the applicable point of sale, in each case only to the extent the same are lost or used in the course of operations which are being conducted prudently and in a good and workmanlike manner. WI Owner hereby represents, warrants and covenants to Royalty Owner that production from each Subject Well is and will continue to be measured at a point prior to any point where gas or oil from such Subject Well is commingled with gas or oil from any other well or wells that are not Subject Wells.

Section 2.4. No Proportionate Reduction. It is understood and agreed that, although the ORRI is conveyed by WI Owner to Royalty Owner out of the Subject Interests, the ORRI and the ORRI Hydrocarbons shall be determined based on 100% of the full NRI Percentage of the WI Owner of the Hydrocarbons produced from (or, to the extent pooled or unitized, allocated to) the various Subject Lands and shall not be adjusted for any partial failure of title to such full NRI Percentage resulting from any action or inaction by WI Owner.

Section 2.5. Renewals and Extensions. This Conveyance and the ORRI shall apply to WI Owner's and its Affiliates' interests in all renewals, extensions and other similar arrangements of each lease (or other determinable interest) which is included in the Subject Interests, whether such renewals, extensions or arrangements have heretofore been obtained by WI Owner or are hereafter obtained by or for WI Owner or any Affiliate thereof and whether or not the same are described in Exhibit A. For the purposes of the preceding sentence, a new lease that covers the same interest (or any part thereof) covered by a prior lease, and which is acquired within one year after the expiration, termination, or release of such prior lease, shall be treated as a renewal or extension of such prior lease.

ARTICLE III

Marketing of ORRI Hydrocarbons and Distribution of Proceeds

Section 3.1 Nature of Marketing Arrangements. WI Owner shall have the obligation to prudently market, or cause to be prudently marketed, the ORRI Hydrocarbons on behalf of and for the account of Royalty Owner in arm's-length transactions with reputable purchasers who are not Affiliates, with each such marketing arrangement, including those arrangements relating to sales, treating, transportation, compression and processing, to be made upon terms and conditions (the "Marketing Terms and Conditions") that (a) are at least as favorable as WI Owner or any Affiliate of WI Owner obtains for WI Owner's share of Hydrocarbons attributable to the Subject Interests or attributable to any other properties in the same field or general area, (b) take into account and give due regard to the best interests of Royalty Owner, and (c) unless otherwise agreed by Royalty Owner from time to time (which agreement shall not be unreasonably withheld), provide for floating prices generally based on spot-market prices plus or minus a basis differential; provided, however, that no ORRI Hydrocarbons are or will become subject to any sales arrangement whereby (i) payment for ORRI Hydrocarbons is or can be deferred for a substantial period after the month in which the ORRI Hydrocarbons are delivered (i.e., in the case of oil, in excess of 30 days, and in the case of gas in excess of 60 days), or (ii) payments may be made other than by checks, drafts, wire transfer or similar communications for the immediate payment of money. WI Owner shall duly perform all obligations performable by it under any arrangements by which ORRI Hydrocarbons are sold or otherwise marketed, and shall take all commercially reasonable and appropriate measures to enforce the performance under each such arrangement of the obligations of the other parties thereto. Subject to the last sentence of this Section, as to any third parties, all acts of WI Owner in marketing the ORRI Hydrocarbons and all sales or other marketing agreements executed by WI Owner in accordance herewith shall be binding on Royalty Owner and the ORRI; it being understood that the right and obligation to market the ORRI Hydrocarbons is at all times vested in WI Owner, and Royalty Owner does not have any such right or obligation. Accordingly, it shall not be necessary for

Royalty Owner to join in any production sales or marketing agreements or any amendments to existing production sales or marketing agreements. Notwithstanding any provision hereof to the contrary, any acts of WI Owner in marketing the ORRI Hydrocarbons or in entering production sales or marketing agreements which are not in compliance with the provisions of this Conveyance shall be void as to the ORRI Hydrocarbons.

Section 3.2 Distribution of Funds. Until notified by Royalty Owner to the contrary, WI Owner shall receive all payments for (or on account of) ORRI Hydrocarbons and shall, on or before noon on the last business day of each calendar month, distribute any such payments received during the previous calendar month to Royalty Owner by wire transfer (or, if consented to by Royalty Owner, by check) to such accounts (or locations) as Royalty Owner may direct from time to time in writing. Any moneys received by WI Owner for or on account of ORRI Hydrocarbons shall constitute trust funds in WI Owner's hands. Royalty Owner shall have the right at all times, upon written notice sent to WI Owner, to begin receiving payment for (or on account of) all ORRI Hydrocarbons directly from the purchasers thereof or from any other parties obligated to make payment therefor. In the event Royalty Owner exercises its right to receive payment for (or on account of) ORRI Hydrocarbons directly, WI Owner shall immediately cause to be prepared and executed such division orders, transfer orders, or instructions in lieu thereof, as Royalty Owner (or any third party) may require from time to time to cause payments to be made directly to Royalty Owner; in the event that, for any reason, Royalty Owner cannot (or does not) receive such payments directly, the same shall be collected by WI Owner and shall constitute trust funds in WI Owner's hands, to be immediately paid over to Royalty Owner by wire transfer or check to such account or location as Royalty Owner may direct from time to time in writing (or by such other form of transfer reasonably specified by Royalty Owner).

Section 3.3 Production Records, Statements and Payments. WI Owner shall keep full, true, and correct records of the Hydrocarbons produced from or attributable to the Subject Interests, and the portion attributable to the ORRI. Such records may be inspected by Royalty Owner or its authorized representatives and copies made thereof at all reasonable times during normal business hours to the extent such inspection does not unreasonably interfere with the business or operations of the WI Owner, and such inspection shall be made at the sole cost and expense of Royalty Owner. On or before the last business day of each Month, WI Owner shall send to Royalty Owner a statement setting forth (i) the production from the Subject Interests for the preceding Month, (ii) the portion of such production attributable to the ORRI, (iii) to the extent Royalty Owner does not receive direct payment of proceeds from sale of ORRI Hydrocarbons pursuant to Section 3.2 above, the gross proceeds attributable to the sale of ORRI Hydrocarbons, and (iv) such other data as Royalty Owner may reasonably request, in such form as Royalty Owner may reasonably request.

ARTICLE IV

Representations, Warranties and Covenants

WI Owner hereby represents, warrants and covenants for the benefit of Royalty Owner as follows:

Section 4.1 Operations. The Subject Interests and properties unitized therewith are being (and, to the extent the same could adversely affect the ownership or operation of the Subject Interests after the date hereof, have during WI Owner's tenure of ownership been) maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable laws, rules, regulations and orders of all duly constituted authorities having jurisdiction and in conformity with all oil, gas or mineral leases, deeds and other contracts and agreements forming a part of the Subject Interests. WI Owner has all governmental licenses and permits necessary or appropriate to own and operate the Subject Interests, and WI Owner has not received notice of any violations in respect of any such licenses or permits. WI Owner shall develop, operate and maintain the Subject Interests as would a reasonably prudent operator. Decisions with regard to the conduct of operations will be made by WI Owner without considering the effect of the ORRI as a burden on the Subject Interests. As to any portions of the Subject Interests as to which WI Owner is not the operator, WI Owner shall take all commercially reasonable actions and exercise all such rights and remedies as are legally

available to it to cause the operator to so develop, maintain and operate such portions of the Subject Interests.

Section 4.2. Title; Permitted Encumbrances. WI Owner has good and defensible title to the Subject Interests, free and clear of all liens, security interests, and encumbrances except for Permitted Encumbrances. Such qualification as to Permitted Encumbrances is made for the sole purpose of limiting the representations and warranties of WI Owner made herein, and is not intended to restrict the description of the Subject Interests, nor is it intended that reference herein to any Permitted Encumbrance shall subordinate the ORRI to such Permitted Encumbrance or otherwise cause this Conveyance or any rights of Royalty Owner hereunder to be made subject to, or encumbered by, such Permitted Encumbrance. WI Owner hereby binds itself to WARRANT and FOREVER DEFEND all and singular title to the ORRI unto Royalty Owner, its successors and assigns, against every Person lawfully claiming or to claim the same or any part thereof, in all cases by, through or under WI Owner, but not otherwise, notwithstanding anything to the contrary herein.

Without limitation of the generality of the foregoing, WI Owner represents and warrants to Royalty Owner that the ownership of WI Owner of the Subject Interests does and will:

(a) entitle WI Owner and Royalty Owner collectively to receive, free and clear of liens and encumbrances, a decimal or percentage net revenue interest share of the Hydrocarbons produced from, or allocated to, each Subject Interest that is equal to or greater than the NRI Percentage for such Subject Interest, and

(b) cause WI Owner to be obligated to bear a decimal or percentage share of the costs associated with such Subject Well that is no greater than the WI Percentage for such Subject Interest, which share of costs is not subject to increase (except as set forth in Exhibit A or Schedule I) without a corresponding increase in net revenue interest.

WI Owner further represents and warrants to Royalty Owner that such shares of production which WI Owner and Royalty Owner are entitled to receive, and shares of expenses which WI Owner is obligated to bear, are not and will not be subject to change except as expressly set forth in Exhibit A or Schedule I. This Conveyance is made with full substitution and subrogation of Royalty Owner in and to all covenants, representations and warranties by others heretofore given or made with respect to the Subject Interests.

Section 4.3. Leases, Deeds and Contracts; Performance of Obligations. The oil, gas or mineral leases, contracts, servitudes, fees, deeds, and other agreements forming a part of the Subject Interests, to the extent the same cover or otherwise relate to the Subject Interests, are in full force and effect, and WI Owner agrees to so maintain them in full force and effect to the extent a reasonably prudent operator, without giving effect to the ORRI or this Conveyance, would do so.

Section 4.4. Compliance with Laws. The Subject Lands, and WI Owner's present and proposed operations thereon, are in compliance in all material respects with all applicable Laws, including all Environmental Laws; (b) WI Owner has taken all steps reasonably necessary to determine and has determined that no Release of Hazardous Materials has occurred on the Subject Lands or as a result of operations on the Subject Lands, and the use which WI Owner makes and intends to make of the Subject Lands will not result in any such Release; (c) to the best of WI Owner's knowledge, none of such operations of WI Owner, and none of the Subject Lands, is the subject of any federal, state or local investigation evaluating whether any remedial action is needed to respond to a Release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials; (d) neither WI Owner nor, to the best knowledge of WI Owner, any other Person has filed any notice under any Environmental Law indicating that WI Owner is responsible for the Release into the environment, or the improper storage or disposal, of any material amount of Hazardous Materials that are now located on, were removed from, or are in any way related to any Subject Lands, or that any Hazardous Materials have been Released, or are improperly stored or disposed of, upon any Subject Lands; and (e) neither WI Owner nor any of its Affiliates otherwise has any material contingent liability in connection with operations on any Subject Lands for the Release into the environment, or the improper storage or disposal, of any material amount of Hazardous Materials. WI Owner will not cause or permit the Subject

Lands or WI Owner to be in violation of any Environmental Laws in any material respect or other Laws with respect to the Subject Lands or do anything or permit anything to be done which will subject WI Owner, Royalty Owner or the Subject Lands to any material remedial obligations under any Environmental Laws, assuming in each case disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances, if any, pertaining to the Subject Lands, and WI Owner will promptly notify Royalty Owner in writing of any existing, pending or, to the best knowledge of WI Owner, threatened investigation or inquiry of a material nature affecting any Subject Lands by any private party or governmental authority in connection with any Environmental Laws. WI Owner will take all steps reasonably necessary to determine that no material amount of Hazardous Materials are disposed of or otherwise Released on or to the Subject Lands in violation of any Environmental Laws. WI Owner will not cause or permit the Release of any material amount of Hazardous Materials on or to the Subject Lands in violation of any Environmental Law and covenants and agrees to remove or remediate any material amount of any Hazardous Materials which has been Released on the Subject Lands in amounts which would violate any Environmental Laws.

Section 4.5. Imbalances.

(a) Definitions. As used herein, “undertake” means that an owner of production from a Subject Well takes a lesser share of oil or gas produced from such Subject Well than the share which such owner is entitled to take by virtue of its ownership interest, determined without regard to any rights under any production balancing agreement or similar arrangement or any rights under common law with respect to production balancing, and “overtake” means that an owner of production from a Subject Well takes a greater share of oil or gas produced from such Subject Well than the share which such owner is entitled to take by virtue of its ownership interest, again determined without regard to any rights under any production balancing agreement or similar arrangement or any rights under common law with respect to production balancing. If an owner undertakes, the amount of production not taken is “underproduction” and if an owner overtakes, the extra share of production taken is “overproduction”.

(b) No Undertakes Without Consent. WI Owner will not undertake or overtake from a Subject Well (either for itself or on behalf of Royalty Owner) if an Affiliate of WI Owner thereby overtakes or undertakes. WI Owner may otherwise elect to undertake or overtake in its reasonable business judgment exercised for the benefit of itself and Royalty Owner. If any undertake by WI Owner occurs in violation of this subsection (b), the ORRI Hydrocarbons shall be determined (to the maximum extent allowed under applicable Law and any applicable Permitted Encumbrances) without regard thereto.

(c) No Balancing From Other Properties. WI Owner will not allow any Subject Interest to be subject to any production balancing arrangement under which one or more third Persons may overtake a portion of the production attributable to such Subject Interest as a result of undertakes or overtakes (or other actions or inactions) with respect to properties other than such Subject Interest. For the purposes of this subsection (c), a production unit in which all parties have uniform interests shall be considered to be a single Subject Interest.

ARTICLE V

Assignments and Transfers

Section 5.1. Assignment and Transfer by Royalty Owner. Royalty Owner may, and nothing herein contained shall in any way limit or restrict the right of Royalty Owner to, sell, convey, assign, mortgage or otherwise dispose of the ORRI (including its rights, titles, interests, estates, remedies, powers and privileges appurtenant or incident to the ORRI under this Conveyance), in whole or in part. No change of ownership of the ORRI shall be binding upon WI Owner, however, until WI Owner is furnished with copies of the documents evidencing such change. Upon receipt by WI Owner of copies of the documents evidencing a sale, conveyance, assignment, mortgage or other disposition of the ORRI, WI Owner shall thereafter deal with the transferee Royalty Owner in place of the transferring Royalty Owner and references herein to the Royalty Owner shall thereafter be deemed to be references to such transferee Royalty Owner, provided that the transferring Royalty Owner shall continue to have, and benefit from, all rights to indemnification and reimbursement that are provided herein.

Section 5.2. Assignment and Transfer by WI Owner. Any sale, conveyance, assignment, mortgage or other disposition of the Subject Interests, or any part thereof or interest therein, by WI Owner shall be subject to this Conveyance, and in the instrument effecting such transfer or other disposition the transferee or other disposition recipient must expressly recognize and assume all obligations, covenants and agreements of WI Owner hereunder.

Section 5.3. Covenants Running With the Subject Lands. All covenants and agreements of WI Owner herein contained shall be deemed to be covenants running with the Subject Interests and the Subject Lands. All of the provisions hereof shall inure to the benefit of Royalty Owner and its successors and assigns.

ARTICLE VI

Miscellaneous Provisions

Section 6.1. Further Assurances. WI Owner agrees to execute and deliver to Royalty Owner, and, to the extent it is within WI Owner's power to do so, to cause any third parties to execute and deliver to Royalty Owner, all such other and additional instruments and to do all such further acts and things as may be necessary or appropriate to more fully vest in and assure to Royalty Owner all of the rights, titles, interests, remedies, powers and privileges herein granted or intended so to be.

Section 6.2. No Waiver. The failure of Royalty Owner to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of Royalty Owner's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder. No provision of this Conveyance shall be deemed a waiver by Royalty Owner of any rights granted to Royalty Owner under applicable Law governing overriding royalty interests and the rights of the owners thereof.

Section 6.3. Applicable Law. This Conveyance and the rights and obligations of the parties hereunder shall, without regard to principles of conflicts of laws, be governed by and interpreted, construed and enforced in accordance with the laws of the State of California.

Section 6.4. Severability. Every provision in this Conveyance is intended to be severable. If any term or provision hereof is determined to be invalid, illegal or unenforceable for any reason whatsoever, such invalidity, illegality or unenforceability shall not affect the validity, legality and enforceability of the remainder of this Conveyance.

Section 6.5 Notices. All notices and other communications required or permitted under this Conveyance shall be in writing and, unless otherwise specifically provided, shall be delivered personally, by facsimile transmission or by registered or certified mail, postage prepaid, or by delivery service for which a receipt is obtained, at the respective addresses shown below and shall be deemed delivered on the date of receipt. Either party may specify its proper address or any other post office address within the continental limits of the United States by giving notice to the other party, in the manner provided in this section, at least fifteen (15) days prior to the effective date of such change of address.

The addresses of WI Owner and Royalty Owner are as follows:

WI Owner:

ERG Resources, L.L.C.
[Address]

Attention: [_____]
Facsimile: [_____]

Royalty Owner:

LNV Corporation
1970 Village Center Circle, Suite 1
Las Vegas, Nevada 89134
Attention: Jacob Cherner
Facsimile: (972) 309-3563

Section 6.6. **NO LIABILITY OF ROYALTY OWNER; INDEMNITY.** **NO ROYALTY OWNER INDEMNITEE SHALL EVER BE RESPONSIBLE FOR ANY**

PART OF THE COSTS, EXPENSES OR LIABILITIES INCURRED IN CONNECTION WITH: (A) THE EXPLORING, DEVELOPING, OPERATING, OWNING, MAINTAINING, REWORKING OR RECOMPLETING OF THE SUBJECT INTERESTS OR SUBJECT LANDS, ANY OBLIGATIONS OF WI OWNER WITH RESPECT TO ANY TAX PARTNERSHIPS BURDENING THE SUBJECT INTERESTS, THE PHYSICAL CONDITION OF THE SUBJECT INTERESTS OR THE SUBJECT LANDS, OR THE HANDLING, TREATING OR TRANSPORTING OF HYDROCARBONS PRODUCED FROM THE SUBJECT LANDS (INCLUDING ANY COSTS, EXPENSES, LOSSES OR LIABILITIES RELATED TO VIOLATION OF AN ENVIRONMENTAL LAW OR OTHERWISE RELATED TO DAMAGE TO OR REMEDIATION OF THE ENVIRONMENT, WHETHER THE SAME ARISE OUT OF ROYALTY OWNER'S OWNERSHIP OF AN INTEREST IN PROPERTY OR OUT OF THE ACTIONS OF WI OWNER OR ROYALTY OWNER OR OF THIRD PARTIES OR ARISE OTHERWISE), OR

(B) THE FAILURE BY WI OWNER TO HAVE GOOD AND DEFENSIBLE TITLE TO THE SUBJECT INTERESTS FREE AND CLEAR OF ALL BURDENS, ENCUMBRANCES, LIENS AND TITLE DEFECTS (INCLUDING ANY COSTS, EXPENSES, LOSSES OR LIABILITIES SUFFERED BY ANY ROYALTY OWNER INDEMNITEE AS A RESULT OF ANY CLAIM THAT SUCH ROYALTY OWNER INDEMNITEE MUST DELIVER OR PAY OVER TO ANY PERSON ANY PART OF THE ORRI HYDROCARBONS OR ANY PROCEEDS THEREOF AT ANY TIME PREVIOUSLY RECEIVED OR THEREAFTER TO BE RECEIVED BY SUCH ROYALTY OWNER INDEMNITEE),

AND WI OWNER AGREES TO INDEMNIFY AND HOLD EACH ROYALTY OWNER INDEMNITEE HARMLESS FROM AND AGAINST ALL COSTS, EXPENSES, LOSSES AND LIABILITIES INCURRED BY ANY ROYALTY OWNER INDEMNITEE (I) IN CONNECTION WITH ANY OF THE FOREGOING OR (II) IN CONNECTION WITH THE ORRI, THIS CONVEYANCE, OR THE TRANSACTIONS AND EVENTS (INCLUDING THE ENFORCEMENT OR DEFENSE THEREOF OR HEREOF) AT ANY TIME ASSOCIATED WITH OR CONTEMPLATED IN ANY OF THE FOREGOING OR (III) IN CONNECTION WITH ANY TAX PARTNERSHIP BURDENING ANY OF THE SUBJECT INTERESTS. SUCH INDEMNITY SHALL ALSO COVER ALL REASONABLE COSTS AND EXPENSES OF ANY ROYALTY OWNER INDEMNITEE, INCLUDING REASONABLE LEGAL FEES AND EXPENSES, WHICH ARE INCURRED INCIDENT TO THE MATTERS INDEMNIFIED AGAINST. AS USED IN THIS ARTICLE VI, "ROYALTY OWNER INDEMNITEES" MEANS ROYALTY OWNER AND ROYALTY OWNER'S SUCCESSORS AND ASSIGNS AND PURCHASERS (INCLUDING ANY PERSON WHO AT ANY TIME PURCHASES ORRI HYDROCARBONS FROM ROYALTY OWNER), ALL OF THEIR RESPECTIVE AFFILIATES, AND ALL OF THE OFFICERS, DIRECTORS, AGENTS, BENEFICIARIES, TRUSTEES, ATTORNEYS AND EMPLOYEES OF THEMSELVES AND THEIR AFFILIATES.

THE FOREGOING INDEMNITY SHALL APPLY WHETHER OR NOT ARISING OUT OF THE SOLE, JOINT OR CONCURRENT NEGLIGENCE, FAULT OR STRICT LIABILITY OF ANY ROYALTY

OWNER INDEMNITEE AND SHALL APPLY, WITHOUT LIMITATION, TO ANY LIABILITY IMPOSED UPON ANY ROYALTY OWNER INDEMNITEE AS A RESULT OF ANY THEORY OF STRICT LIABILITY OR ANY OTHER DOCTRINE OF LAW, PROVIDED THAT THE FOREGOING INDEMNITY SHALL NOT APPLY TO ANY COSTS, EXPENSES, LOSSES OR LIABILITIES INCURRED BY ANY ROYALTY OWNER INDEMNITEE TO THE EXTENT PROXIMATELY CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH ROYALTY OWNER INDEMNITEE. THE FOREGOING INDEMNITY SHALL SURVIVE ANY TERMINATION OF THIS CONVEYANCE.

Section 6.7. Counterparts. This Conveyance is being executed in several counterparts, all of which are identical, except that, to facilitate recordation, in certain counterparts hereof only that portion of Exhibit A and Schedule I which contains specific descriptions of the Subject Interests located in the recording jurisdiction in which the counterpart is to be recorded shall be included, and all other portions of Exhibit A and Schedule I shall be included by reference only. All of such counterparts together shall constitute one and the same instrument. Complete copies of this Conveyance, containing the entire Exhibit A and Schedule I, have been retained by WI Owner and Royalty Owner.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, this Conveyance is executed on the date set forth in the acknowledgment below, to be effective for all purposes as of the Effective Time.

WI OWNER:

ERG RESOURCES, L.L.C.

By: _____

Name:

Title:

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____ §

COUNTY OF _____ §
§

On _____, 2015 before me, _____.
(insert name of notary)

Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT F

Amended and Restated Prepetition Loan Documents

TK Draft 9/17/2015

**AMENDED AND RESTATED CREDIT AGREEMENT
(PRE-PETITION CLAIMS)**

ERG RESOURCES, L.L.C.,
as Company

CLMG CORP.,
as Administrative Agent

and

CERTAIN LENDERS

Senior Secured Credit Facility

[____], 2015

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AMENDED AND RESTATED CREDIT AGREEMENT
(PRE-PETITION CLAIMS)

THIS AMENDED AND RESTATED CREDIT AGREEMENT is made as of [____], 2015 by and among ERG RESOURCES, L.L.C., a Texas limited liability company (“Company”), CLMG CORP., a Texas corporation, as administrative agent (together with its successors in such capacity, the “Administrative Agent”), and the Lenders referred to below.

RECITALS:

WHEREAS, Company, the Administrative Agent, and Lenders entered into that certain Credit Agreement dated as of January 24, 2013 (as amended by the First Amendment to Credit Agreement dated as of August 14, 2014 (the “First Amendment”), and as further amended, supplemented, or otherwise modified prior to the date hereof, the “Existing Credit Agreement”), for the purpose and consideration therein expressed, whereby Lenders became obligated to make commercial loans to Company as therein provided;

WHEREAS, prior to the date hereof, Lenders have advanced Loans to Company in the aggregate principal amount of \$372,000,000, consisting of (a) \$230,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on January 24, 2013, (b) \$120,000,000 of Delayed Draw Term Loans (as defined in the Existing Credit Agreement) advanced on various borrowing dates, and (c) \$22,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on September 18, 2014 in connection with the First Amendment;

WHEREAS, on April 30, 2015 (the “Petition Date”), the Credit Parties each filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

WHEREAS, the Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

WHEREAS, pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

WHEREAS, in connection with the Plan of Reorganization, Company, Administrative Agent and Lenders desire to amend and restate the Existing Credit Agreement on the terms set forth herein; and

WHEREAS, capitalized terms used but not defined in these Recitals shall have the respective meanings set forth for such terms in Section 1.1;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and the commercial Loans made by Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Definitions and References

Section 1.1. Defined Terms. As used in this Agreement, each of the following terms has the meaning given to such term in this Section 1.1 or in the sections and subsections referred to below:

“ABP” or “Approved Business Plan” means Company’s written business plan and operating budget, which will describe (a) budgeted costs not constituting APOD Capital Expenditures, including budgeted ABP LOE, ABP Overhead Costs, ABP Transportation Costs and ABP Workover Expenditures, (b) forecasted volumes of oil and gas production from the Mortgaged Properties, and (c) the amount of budgeted working capital to be retained by the Credit Parties, in each case as described in the ABP Certificate given on or about the Closing Date, as such plan and budget are amended, supplemented or restated from time to time with the consent of Administrative Agent (given or withheld in its discretion), on behalf of Required Lenders, as evidenced by one or more additional ABP Certificates.

“ABP Certificate” means a certificate in the form of Exhibit F-1 given from time to time by Administrative Agent, on behalf of Required Lenders, and by Company to confirm that the document or documents attached thereto set out the ABP as then in effect.

“ABP LOE” means (a) leasehold operating expenses paid in the ordinary course of business (including overhead allocations paid to unaffiliated operators in the ordinary course of business under joint operating agreements), and (b) other field level or lease level charges for operations on the Mortgaged Properties (excluding ABP Workover Expenditures, APOD Capital Expenditures and other capital expenditures), in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Overhead Costs” means (a) the general and administrative expenses of the Credit Parties and (b) other overhead costs of the Credit Parties, in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved as ABP Overhead Costs by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Transportation Costs” means (a) the actual costs of gathering, processing, compressing, and transporting production from the Mortgaged Properties from the wellhead to the point of sale, provided that all such costs are negotiated with, and paid to, third parties in

arms-length transactions on terms that are reasonable in the area of operations for the quality and quantity of such production for the time period negotiated, at the time such prices are agreed to, or (b) other transportation or marketing costs, in each case to the extent the same either (i) are included in the Approved Business Plan, as then in effect, or (ii) have been approved by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABP Workover Expenditures” means capital expenditures made or to be made by Company on the Mortgaged Properties in connection with operations to restore or increase production on a producing well, to the extent the same either (a) are included in the Approved Business Plan or the Approved Plan of Development, as then in effect, or (b) have been approved as ABP Workover Expenditures by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“ABR” means, for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively. Notwithstanding the foregoing, at no time shall the ABR be deemed to be less than 3.00%.

“Adjusted Consolidated EBITDAX” means, for any four Fiscal Quarter period, Consolidated EBITDAX for such period adjusted on a pro forma basis to give effect to any acquisition or divestiture of any Person or business unit of a Person that was made by Company or any other Grantor during such period as if such transactions had occurred on the first day of such period, regardless of whether the effect is positive or negative.

“Administrative Agent” has the meaning given to such term in the preamble hereto.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by Administrative Agent.

“Affiliate” means, as to any Person, each other Person that directly or indirectly (through one or more intermediaries or otherwise) controls, is controlled by, or is under common control with, such Person. A Person shall be deemed to be “controlled by” any other Person if such other Person possesses, directly or indirectly, power:

(a) to vote 10% or more of the securities or other Equity (on a fully diluted basis) having ordinary voting power for the election of directors, the managing general partner or partners or the managing member or members; or

(b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Agreed Pricing” means:

- (a) for anticipated sales of Hydrocarbons that are fixed in a firm fixed price sales contract with an Approved Counterparty, the fixed price or prices provided for in such sales contract during the term thereof;
- (b) for anticipated sales of Hydrocarbons that are hedged by a fixed price Hedging Contract with an Approved Counterparty, the fixed price or prices provided for in such Hedging Contract during the term thereof, as modified by any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials;
- (c) for anticipated sales of Hydrocarbons that are hedged by a Hedging Contract with an Approved Counterparty which Hedging Contract provides for a range of prices between a floor and a ceiling, the prices provided for in subsection (d) below, provided that during the term of such Hedging Contract such prices shall in no event be less than such floor or exceed such ceiling, as such floor and ceiling are modified by any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials; and
- (d) for anticipated sales of Hydrocarbons, if such sales are not hedged by a Hedging Contract or fixed by a sales contract that is described in paragraphs (a), (b), or (c) above, the lesser of (x) \$3.00 per MMBtu of gas (NYMEX Henry Hub) or \$90.00 per barrel of oil (ICE Brent) and (y) one hundred percent (100%) of the average Strip Pricing for the five-year period commencing as of the date of calculation (or, if such date is not a Business Day, as of the first Business Day thereafter) and with any necessary adjustment specified from time to time by Administrative Agent in its discretion for quality and geographical differentials.

Notwithstanding the preceding provisions of this definition, Agreed Pricing for natural gas liquids will be an amount equal to the lesser of (i) 40% of the applicable Agreed Price determined above per barrel of oil (using a conversion ratio of 42 gallons to 1 barrel) and (ii) the Company’s actual realized pricing for natural gas liquids for the most recently ended Fiscal Quarter.

“Agreement” means this Amended and Restated Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

“APOD Capital Expenditures” means capital expenditures (excluding ABP Workover Expenditures) made or to be made by Company on the Mortgaged Properties, to the extent the same either (a) are included in the Approved Plan of Development, as then in effect, or (b) have been approved as APOD Capital Expenditures by Administrative Agent on behalf of Required Lenders at the time in question by means of an Approval Letter.

“APOD Certificate” means a certificate in the form of Exhibit F-2 given on or prior to the Closing Date and, thereafter from time to time by Company, with the consent of Required Lenders, to confirm that the document or documents attached thereto set out the APOD as then in effect.

“Applicable Margin” means 9.75% per annum; provided that, notwithstanding anything to the contrary contained herein, at any time that interest on any amount is accruing at the

Default Rate, the Applicable Margin with respect to such amount shall be a rate per annum equal to 11.75%.

“Approval Letter” means a letter given by Administrative Agent on behalf of Required Lenders in the form of Exhibit L.

“Approved Counterparty” means, with respect to any Hedging Contract, a counterparty to such Hedging Contract that is approved in writing by Administrative Agent in its discretion.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Approved Plan of Development” or “APOD” means Company’s written plan of development with respect to budgeted capital expenditures (including maximum annual expenditures) and other development activities that is attached to the APOD Certificate given on or about the Closing Date, as such plan is amended, supplemented or restated from time to time with the consent of Required Lenders (given or withheld in their discretion) as evidenced by one or more additional APOD Certificates.

“Assignment and Assumption Agreement” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.6), and accepted by Administrative Agent, in substantially the form of Exhibit K or any other form approved by Administrative Agent in its discretion.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy” and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally including, for the avoidance of doubt, corporate legislation.

“Board” means the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Business Day” means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in Dallas, Texas and New York, New York.

“Capital Lease” means a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“Capital Lease Obligation” means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease that should, in accordance with GAAP, appear as a liability on the balance sheet of such Person.

“Cash Equivalents” means Investments in:

(a) marketable obligations, maturing on average not more than twelve months after acquisition thereof, issued or unconditionally guaranteed or insured by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits, and time deposits with, or insured certificates of deposit or bankers’ acceptances of, any commercial bank that (i) is a Lender or (ii) (A) is organized under the Laws of the United States, any state thereof, the District of Columbia or any member nation of the Organization for Economic Cooperation and Development or is the principal banking Subsidiary of a bank holding company organized under the Laws of the United States, any state thereof, the District of Columbia or any member nation of the Organization for Economic Cooperation and Development, and is a member of the Federal Reserve System, (B) has combined capital and surplus of at least \$500,000,000 or (C) whose long-term certificates of deposit are rated at least Aa3 by Moody’s or AA- by S&P (any such bank in the foregoing clauses (i) or (ii) being an “Approved Bank”), in each case with maturities not exceeding 12 months from the date of acquisition thereof; and

(c) Dollars.

“Cash Interest Payment” means, for each Payment Date, any full or partial payment of interest then accrued on the Loans made with Gross Cash Receipts on deposit in the Collateral Account in accordance with Section 2.6(a).

“Casualty Event” means any loss, casualty or other damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Collateral of Company or any of its Subsidiaries.

“Change of Control” means the occurrence of any of the following events:

(a) [] shall resign, be removed, or otherwise cease to be the Trustee, with the power to direct or cause the direction of management or policies of Company, and a replacement acceptable to Administrative Agent is not appointed within 20 Business Days of such resignation, removal or cessation,

(b) Trust shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in Parent.

(c) Parent shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in Company,

(d) [] shall for any reason cease to serve as the chief executive officer of Company and is not replaced within 20 Business Days thereafter by a new chief executive officer acceptable to Administrative Agent,

(e) Company shall cease to own and control, directly or indirectly, 100% of the voting and economic interest in the Equity in each of its Subsidiaries, or

(f) the occurrence of any “Change of Control” as such term is defined in the First Lien Credit Agreement.

“Closing Date” means the date on which all of the conditions precedent set forth in Section 4.1 shall have been satisfied or waived in accordance with Section 10.1.

“Collateral” means (i) all assets or property of any kind of any Grantor, including all property of any kind that is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or that, under the terms of any Security Document, is purported to be subject to such a Lien, in each case that secures the Secured Obligations, (ii) all issued and outstanding Equity in Company, and (iii) the proceeds thereof.

“Collateral Account” means deposit account number 9787489084 established in the name of Company with the Collateral Account Bank, or such other Deposit Account as may be established by Company from time to time with the prior written consent of Administrative Agent, which consent may be given or withheld in its discretion.

“Collateral Account Agreement” means all documents or agreements governing or evidencing the Collateral Account.

“Collateral Account Bank” means CitiBank, N.A., or any successor bank at which the Collateral Account is maintained.

“Company” has the meaning given to such term in the preamble hereto.

“Compliance Certificate” has the meaning given to such term in Section 6.2(c).

“Confirmation Order” has the meaning given to such term in the Recitals hereto.

“Consolidated” refers to the consolidation of any Person, in accordance with GAAP, with its properly consolidated subsidiaries. References herein to a Person’s Consolidated financial statements, financial position, financial condition, liabilities, etc. refer to the consolidated financial statements, financial position, financial condition, liabilities, etc. of such Person and its properly consolidated subsidiaries.

“Consolidated EBITDAX” means, for any period (without duplication), the sum of (1) Consolidated Net Income during such period (excluding extraordinary gains and losses, but including any gains or losses associated with any Disposition of assets), plus (2) all interest paid or accrued during such period on Indebtedness (including amortization of original issue discount and the interest component of any deferred payment obligations and Capital Lease Obligations) that was deducted in determining such Consolidated Net Income, plus (3) all income taxes that were deducted in determining such Consolidated Net Income, plus (4) all depreciation, amortization (including amortization of good will and debt issue costs), depletion, and other non-cash charges (including any provision for the reduction in the carrying value of assets recorded in accordance with GAAP and including those resulting from the requirements of ASC Topic 815, formerly FAS 133, ASC Topic 410, formerly FAS 143 or ASC Topic 360, formerly FAS 144) that were deducted in determining such Consolidated Net Income, plus (5) exploration expenses, provided and for so long as Company uses the successful efforts method of accounting

(as prescribed in Regulation S-X) for its Oil and Gas Properties, minus (6) all non-cash gains and losses that were included in determining such Consolidated Net Income.

“Consolidated Interest Charges” means, for any period, all interest paid or accrued during such period on Indebtedness (including premium payments, capitalized interest, amortization of original issue discount, and the interest component of any deferred payment obligations and Capital Lease Obligations) that was deducted in determining Consolidated Net Income during such period.

“Consolidated Net Income” means, for any period, Company’s and the other Grantors’ gross revenues for such period, including any cash dividends or distributions actually received from any other Person during such period, minus Company’s and the other Grantors’ expenses and other proper charges against income (including taxes on income, to the extent imposed), determined on a Consolidated basis, after eliminating earnings or losses attributable to outstanding minority interests and excluding the net earnings of any Person (other than a Grantor) in which Company or any Grantor has an ownership interest except to the extent of the amount of cash dividends or distributions actually paid during such period by such Person to Company or such Grantor.

“Credit Parties” means, collectively, Company and each Guarantor, and “Credit Party” means any of them.

“Default” means any Event of Default and any default, event or condition that would, with the giving of any requisite notices and the passage of any requisite periods of time, constitute an Event of Default.

“Default Rate” means the rate per annum equal to two percent (2%) above the rate that would otherwise be applicable to the Loans, provided that no Default Rate charged by any Person shall ever exceed the Highest Lawful Rate.

“Deposit Account” means a demand, time, savings, passbook or like account with a bank, savings and loan association, credit union or like organization (other than an account evidenced by a negotiable certificate of deposit), and any other deposit account, as defined in the UCC.

“Direct Taxes” means any severance, ad valorem, or other direct taxes on properties owned by any Credit Party or the production therefrom or the proceeds of such production; provided that federal, state, or local income or franchise taxes shall in no event be considered Direct Taxes.

“Disclosure Schedule” means Schedule 1 hereto.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction and the expiration or termination of any oil and gas lease) of any property by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

“Distribution” means (a) any dividend or other distribution made by a Credit Party on or in respect of any Equity in such Credit Party or any other Credit Party, or (b) any payment made by a Credit Party to purchase, redeem, acquire or retire any Equity in such Credit Party or any other Credit Party.

“Dollars” and “\$” means dollars in lawful currency of the United States.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of any political subdivision of the United States.

“Eligible Assignee” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person), approved by Administrative Agent (which approval will not be unreasonably withheld or delayed); provided that notwithstanding the foregoing, “Eligible Assignee” shall not include Company or any of Company’s Affiliates or Subsidiaries.

“Engineering Report” means the Initial Engineering Report and each other engineering report delivered pursuant to Section 6.2(l), in each case as audited and adjusted by the Independent Lender Engineer.

“Environmental Advisor” means Environmental Resources Management.

“Environmental Laws” means any and all Laws relating to the environment, occupational health and safety, or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, including the Clean Air Act, 42 U.S.C. §7401 et seq., the Clean Water Act 33 U.S.C. §1251 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., the Emergency Planning and Community Right-to-know Act, 42 U.S.C. §11001 et seq., the Safe Drinking Water Act, 42 U.S.C. §300f et seq., and the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq. together with any corresponding or similar state laws, and any regulations promulgated thereunder, or any amendments thereof.

“Equity” in a Person means any share of capital stock issued by such Person, any general or limited partnership interest, profits interest, capital interest, membership interest, or other equity interest in such Person, any option, warrant or any other right to acquire any share of capital stock or any partnership, profits, capital, membership or other equity interest in such Person, and any other voting security issued by such Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statutes or statute, together with all rules and regulations promulgated with respect thereto.

“ERISA Affiliate” means each Credit Party and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control

that, together with such Credit Party, are (or were at any time in the past six years) treated as a single employer under Section 414 of the Internal Revenue Code.

“ERISA Plan” means any “employee pension benefit plan” as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) that is subject to Title IV of ERISA or Section 412 of the Internal Revenue Code and maintained, contributed to or required to be contributed to by any ERISA Affiliate and with respect to which any Credit Party has a fixed or contingent liability.

“ERISA Plan Funding Rules” means the rules in the Internal Revenue Code and ERISA (and related regulations and other guidance) regarding minimum funding standards and minimum required contributions to ERISA Plans as set forth in Sections 412, 430 and 436 of the Internal Revenue Code and Sections 302 and 303 of ERISA.

“Event of Default” has the meaning given to such term in Section 8.1.

“Existing Credit Agreement” has the meaning given such term in the Recitals hereto.

“Existing Credit Documents” means (a) the Existing Credit Agreement, (b) the Existing Notes, and (c) all deeds of trust, mortgages, security agreements, and other documents, instruments or agreements executed and delivered in connection therewith by any Credit Party, or any predecessor in interest to any Credit Party.

“Existing Indebtedness” means all Indebtedness outstanding under the Existing Credit Documents on the date hereof.

“Existing Loans” has the meaning given such term in Section 2.1.

“Existing Notes” has the meaning given such term in Section 2.1.

“FATCA” means Sections 1471 through 1474 of the Internal Revenue Code (and any comparable successor provisions), any current or future regulations or official interpretation thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by CLMG Corp. from three federal funds brokers of recognized standing selected by it.

“First Lien Agent” means the Person serving in the capacity as the “Administrative Agent” (as such term is defined in the First Lien Credit Agreement) under the First Lien Credit Agreement.

“First Lien Credit Agreement” means the Revolving Credit Agreement, dated as of the Closing Date, among Company, First Lien Agent and the First Lien Lenders, as amended,

restated, supplemented or otherwise modified but only to the extent permitted under the terms of the Intercreditor Agreement.

“First Lien Effective Date” means the “Closing Date” as defined in the First Lien Credit Agreement.

“First Lien Lenders” means the lenders party to the First Lien Credit Agreement from time to time.

“First Lien Loan Documents” means the “Loan Documents” as defined in the First Lien Credit Agreement.

“First Lien Security Documents” means all security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements, account control agreements, and other agreements or instruments now, heretofore, or hereafter delivered by Parent or any Grantor to the First Lien Agent in connection with First Lien Credit Agreement or any transaction contemplated thereby to secure or guarantee the payment of any part of the obligations or the performance of any Credit Party’s other duties and obligations under the First Lien Loan Documents.

“Fiscal Quarter” means a three-month period ending on March 31, June 30, September 30 or December 31 of any year.

“Fiscal Year” means a twelve-month period ending on December 31 of any year or such other twelve-month period acceptable to Administrative Agent in its reasonable discretion.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Fund” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“GAAP” means those generally accepted accounting principles and practices that are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and that, in the case of Company and its Consolidated Subsidiaries, are applied for all periods after the date hereof in a consistent manner. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to Company and its Consolidated Subsidiaries, may be prepared in accordance with such change, but all calculations and determinations to be made hereunder may be made in accordance with such change only after notice of such change is given to each Lender and Company, Required Lenders and Administrative Agent agree to such change insofar as it affects such calculations and determinations.

“Governmental Authority” means any federal, state, provincial, municipal, national, tribal, Indian nation, or other government, governmental department, commission, board, bureau, court, agency or instrumentality or political subdivision thereof or any entity or officer exercising

executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government or any court, in each case whether associated with a state of the United States, the United States, an Indian nation, or a foreign entity or government.

“Grantors” means, collectively, Parent, Company and each Subsidiary of Company, and “Grantor” means any of them.

“Gross Cash Receipts” means all cash revenues and cash receipts of Company and the Credit Parties during any Fiscal Quarter from any source or activity (excluding only funds belonging to or received for the credit of third parties, such as royalty, suspense funds, working interest or other interest owners, that are received for transfer or payment to such third parties).

“Guarantors” means, collectively, Parent and each Subsidiary of Company, and “Guarantor” means any of them.

“Guaranty” means an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Company hereunder, substantially in the form of Exhibit I-1.

“Hazardous Materials” means any substances regulated under any Environmental Law, whether as pollutants, contaminants, or chemicals, or as industrial, toxic or hazardous substances or wastes, or otherwise, including any petroleum or petroleum-derived substances or wastes.

“Hedging Contract” means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices (including basis risk), equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

“Highest Lawful Rate” means, with respect to each Lender Party to whom Obligations are owed, the maximum nonusurious rate of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations. All determinations herein of the Highest Lawful Rate, or of any interest rate determined by reference to the Highest Lawful Rate, shall be made separately for each Lender Party (but shall take into account all Obligations owing to such Lender Party) as appropriate to assure that the Loan Documents are not construed to obligate any Person to pay interest to any Lender Party at a rate in excess of the maximum rate or amount of interest that such Lender Party is permitted under applicable Law to contract for, take, charge, or receive with respect to such Obligations.

“Hydrocarbon Interests” means (a) all oil, gas and/or mineral leases, oil, gas or mineral properties, mineral servitudes and/or mineral rights of any kind (including mineral fee interests, lease interests, farmout interests, overriding royalty and royalty interests, net profits interests, oil payment interests, production payment interests and other types of mineral interests), and (b) all oil and gas gathering, treating, compression, storage, processing and handling assets of any kind, including all pipelines, wells, wellhead equipment, pumping units, flowlines, tanks, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, processing plants, and other related equipment of any kind.

“Hydrocarbons” means crude oil, natural gas, condensate, or other liquid or gaseous hydrocarbons.

“Indebtedness” of any Person means Liabilities in any of the following categories:

- (a) Liabilities for borrowed money;
- (b) Liabilities constituting an obligation to pay the deferred purchase price of property or services;
- (c) Liabilities evidenced by a bond, debenture, note or similar instrument;
- (d) Liabilities that (i) would under GAAP be shown on such Person’s balance sheet as a liability, and (ii) are payable more than one year from the date of creation or incurrence thereof (other than reserves for taxes and reserves for contingent obligations);
- (e) Capital Lease Obligations;
- (f) Liabilities arising under conditional sales or other title retention agreements;
- (g) Liabilities owing under direct or indirect guaranties of Indebtedness of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Indebtedness of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Liabilities, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection;
- (h) Indebtedness of others that is secured by a Lien on any asset of such Person, regardless of whether such Indebtedness has been assumed by such Person or is otherwise a Liability of such Person;
- (i) Liabilities (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements) consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arise out of or in connection with the sale or issuance of the same or similar securities or property;
- (j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor or with respect to banker’s acceptances;
- (k) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under “take-or-pay” contracts to deliver gas in return for payments already received and the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment); or
- (l) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor;

provided however, that the “Indebtedness” of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or other Persons providing goods and services for use by such Person in the ordinary course of its business, unless and until such Liabilities are outstanding more than 90 days past the incurrence thereof.

“Indemnatee” means each Lender Party, each Royalty Owner, and each director, officer, agent, trustee, attorney, employee, representative and Affiliate of or for any such Person.

“Independent Company Engineer” means Netherland, Sewell & Associates, Inc. or any nationally recognized independent petroleum engineering company that is designated by Company with the consent of Administrative Agent.

“Independent Lender Engineer” means Cawley Gillespie and Associates, Inc. or any other nationally recognized independent petroleum engineering company that is retained by Administrative Agent in its reasonable discretion.

“Initial Engineering Report” means the reserve engineering report with respect to the Oil and Gas Properties prepared as of September 30, 2015 by the Independent Company Engineer.

“Initial Financial Statements” means (a) Company’s audited Consolidated annual financial statements as of December 31, 2014 and (b) Company’s unaudited quarterly Consolidated financial statements as of June 30, 2015.

“Insurance Advisor” means EnRisk Services, Inc. or another reputable insurance advisor reasonably acceptable to the Required Lenders.

“Insurance Schedule” means Schedule 3 hereto.

“Intercreditor Agreement” has the meaning given to such term in Section 10.16.

“Interest Coverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of (a) Adjusted Consolidated EBITDAX for the four Fiscal Quarter period ending on such date to (b) Consolidated Interest Charges for such period.

“Internal Revenue Code” means the United States Internal Revenue Code of 1986, as amended from time to time and any successor statute or statutes, together with all rules and regulations promulgated with respect thereto.

“Investment” means any investment, made directly or indirectly, in any Person, whether by purchase or acquisition of Equity, Indebtedness or other obligations or securities or by extension of credit, loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means.

“Law” means any statute, law, regulation, ordinance, rule, treaty, judgment, order, decree, permit, concession, franchise, license, agreement or other governmental restriction of the United States or any state, province or political subdivision thereof or of any foreign country or any department, province or other political subdivision thereof. Any reference to a Law includes

any amendment or modification to such Law, and all regulations, rulings, and other Laws promulgated under such Law.

“Lender Parties” means Administrative Agent and all Lenders.

“Lenders” means LNV Corporation, any other financial institution party to this Agreement as a “Lender” and their respective successors and assigns as holders of Notes.

“Lenders Schedule” means Schedule 4 hereto.

“Leverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of (a) Total Funded Debt as of the end of such Fiscal Quarter to (b) Adjusted Consolidated EBITDAX for the four Fiscal Quarter period ending on such date.

“Liabilities” means, as to any Person, all indebtedness, liabilities and obligations of such Person, whether matured or unmatured, liquidated or unliquidated, primary or secondary, direct or indirect, absolute, fixed or contingent, and whether or not required to be considered pursuant to GAAP.

“Lien” means, with respect to any property or assets, any right or interest therein of a creditor to secure Liabilities owed to it or any other arrangement with such creditor that provides for the payment of such Liabilities out of such property or assets or that allows such creditor to have such Liabilities satisfied out of such property or assets prior to the general creditors of any owner thereof, including any lien, mortgage, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, tax lien, mechanic’s or materialman’s lien, or any other charge or encumbrance for security purposes, whether arising by Law or agreement or otherwise, but excluding any right of offset that arises without agreement in the ordinary course of business. “Lien” also means any filed financing statement, any registration of a pledge (such as with a lender of uncertificated securities), or any other arrangement or action that would serve to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

“Loan Documents” means this Agreement, the Notes, the Guaranty, the Security Documents, the Royalty Conveyances, the Intercreditor Agreement and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of the application for commercial loan, term sheets, and commitment letters).

“Loans” means the Existing Loans made pursuant to the Existing Credit Agreement, as renewed and extended as Term Loans under this Agreement.

“Material Adverse Change” means a material and adverse change, from the state of affairs presented in the Plan of Reorganization or the Initial Engineering Report, to (a) Company’s Consolidated financial condition, (b) Company’s Consolidated business, assets, operations, prospects or properties, considered as a whole, (c) Company’s ability to timely pay the Obligations, or (d) the enforceability of the material terms of any Loan Document.

“Material Contract” means, with respect to any Person, each contract to which such Person is a party involving aggregate consideration payable to or by such Person of \$250,000 or more in any Fiscal Year or otherwise material to the business, condition (financial or otherwise), operations, performance, properties or prospects of such Person. When used in reference to the Credit Parties, such term shall (i) exclude the Loan Documents but include the First Lien Loan Documents, and (ii) include any contract operating agreement entered into by a Credit Party in connection with the Plan of Reorganization.

“Maturity Date” means [____], 2018¹ or such earlier date as the Obligations have become due as provided herein.

“Measure P” means the Santa Barbara County, California ballot initiative to ban “High-Intensity Petroleum Operations” including but not limited to well stimulation treatments and secondary and enhanced recovery operations such as hydraulic fracturing, steam injection and acid well stimulation treatment on all lands within Santa Barbara County’s unincorporated area.

“Modified NPV10” means:

(a) with respect to any Proved Developed Producing Reserves attributable to the Mortgaged Properties, 95% of the NPV10 of such Reserves;

(b) with respect to any Proved Developed Nonproducing Reserves attributable to the Mortgaged Properties, 75% of the NPV10 of such Reserves; and

(c) with respect to any Proved Undeveloped Reserves attributable to the Mortgaged Properties, 50% of the NPV10 of such Reserves;

provided, however, that the Modified NPV10 for any particular Proved Developed Nonproducing Reserves or Proved Undeveloped Reserves shall be zero unless (x) capital expenditures in excess of the APOD Capital Expenditures for the development of such Reserves, in at least the amounts required pursuant to the most recent Engineering Report, have been approved by Lender Parties in their discretion, (y) such capital is reasonably expected to be available to the applicable Credit Party, and (z) the applicable Credit Party has (or is reasonably expected to have) all licenses, permits, and authorizations necessary or required in order to develop, operate, and produce such Proved Developed Nonproducing Reserves or Proved Undeveloped Reserves, as the case may be.

“Moody’s” means Moody’s Investors Service, Inc., or its successor.

“Mortgage” means each deed of trust or mortgage from time to time given by Company or any other Grantor to secure any of the Obligations, as each may be amended, supplemented or otherwise modified from time to time.

“Mortgaged Properties” means, collectively, those Oil and Gas Properties that are owned by a Grantor and mortgaged to Administrative Agent to secure the Obligations.

¹ NTD: To be three years from the Closing Date.

“Multiemployer Plan” means any plan within the meaning of Section 4001(a)(3) of ERISA.

“Notes” means the Term Notes, as amended, supplemented or otherwise modified from time to time.

“NPV10” means, with respect to any Proved Reserves expected to be produced from the Mortgaged Properties, the net present value of the future net revenues expected to accrue to the Credit Parties’ net interests in such Proved Reserves during the remaining expected economic lives of such Proved Reserves, discounted at 10% per annum. Each calculation of such expected future net revenues shall be made as of the date requested in accordance with the then existing standards of the Society of Petroleum Engineers and Society of Petroleum Evaluation Engineers, provided that in any event:

(a) appropriate deductions shall be made for (i) Direct Taxes and existing burdens that are Permitted Liens, (ii) leasehold operating expenses, (iii) losses from and expenses of gathering, compression, treating, processing, transportation, and marketing, (iv) capital expenditures included in the Approved Plan of Development or otherwise approved in writing by Administrative Agent on behalf of Required Lenders (including plugging and abandonment costs and capital expenditures for any additional steam generation, processing plant capacity and treatment facilities that will be required in order for such Reserves to be produced and sold), and (v) the purchase price of emission credits;

(b) the pricing assumptions used in determining NPV10 for any particular Proved Reserves shall be the Agreed Pricing; and

(c) leasehold operating expenses and capital expenditures in the most recently delivered Engineering Report will be escalated at the then current inflation rate.

NPV10 shall be calculated hereunder in connection with each Engineering Report, either by Company, by Administrative Agent, or by the engineering firm who prepares such Engineering Report; in the event of any conflict, Administrative Agent’s calculation shall be conclusive and final, absent manifest error.

“Obligations” means all Liabilities from time to time owing by any Credit Party to any Lender Party or Indemnatee under or pursuant to any of the Loan Documents. “Obligation” means any part of the Obligations.

“OFAC” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Oil and Gas Properties” means all Hydrocarbon Interests that are, at the time in question, owned by any of the Credit Parties.

“Parent” means ERG Intermediate Holdings, LLC, a Texas limited liability company.

“Participant” has the meaning given to such term in Section 10.6(d).

“Participant Register” has the meaning given to such term in Section 10.6(d).

“Payment Date” means, as to any Loan, (a) the last Business Day of each calendar month to occur while such Loan is outstanding and (b) the Maturity Date.

“PBGC” means the Pension Benefit Guaranty Corporation.

“PDP Collateral Coverage Ratio” means the ratio of (a) the Modified NPV10 with respect to all Proved Developed Producing Reserves attributable to the Mortgaged Properties, to (b) Total Funded Debt. In calculating the PDP Collateral Coverage Ratio with respect to any date, such Modified NPV10 shall be derived from the Engineering Report prepared as of such date, and Total Funded Debt shall be calculated as of such date after giving effect to any borrowings or repayments made on such date.

“Percentage Share” means, with respect to any Lender, the percentage obtained by dividing (a) the sum of the unpaid principal balance of such Lender’s Loans at the time in question, by (b) the sum of the aggregate unpaid principal balance of all Loans of all Lenders at such time.

“Permitted First Lien Debt” has the meaning given to such term in Section 7.1(e).

“Permitted Investments” means:

- (a) Cash Equivalents; and
- (b) normal and prudent extensions of credit by the Credit Parties to their customers for buying goods and services in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner and in no event shall the payment terms therefor exceed 60 days after the delivery of such goods or the rendition of such services.

“Permitted Liens” means:

- (a) statutory Liens for taxes, assessments or other governmental charges or levies that are not yet delinquent or that are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;
- (b) landlords’, operators’, carriers’, warehousemen’s, repairmen’s, mechanics’, materialmen’s, or other like Liens that do not secure Indebtedness, in each case only to the extent arising in the ordinary course of business and only to the extent securing obligations that are not delinquent or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP;
- (c) Liens in connection with workers’ compensation, unemployment insurance or other social security or old age pension obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP;

(d) minor defects and irregularities in title to any property, so long as such defects and irregularities neither secure Indebtedness nor materially impair the value of such property or the use of such property for the purposes for which such property is held;

(e) deposits of cash or securities to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature (excluding Indebtedness or appeal bonds) incurred in the ordinary course of business and not constituting Indebtedness;

(f) Liens under the Security Documents;

(g) with respect only to property subject to any particular Security Document, additional Liens burdening such property that are expressly allowed by such Security Document;

(h) (i) Liens on fixed or capital assets acquired, constructed or improved by Company; provided, that (A) such Liens secure Indebtedness permitted under Section 7.1(c), (B) such Liens and the Indebtedness secured thereby are incurred substantially simultaneously with the acquisition, construction or improvement of such fixed or capital assets or within 180 days thereafter, (C) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, and (D) the amount of Indebtedness secured thereby is not more than 100% of the purchase price, and (ii) Liens in the nature of precautionary financing statements filed against leased property by lessors in the ordinary course of business; and

(i) Liens created under the First Lien Security Documents to secure the obligations contemplated by the First Lien Loan Documents or any Permitted Refinancing thereof, in each case, subject to the terms of the Intercreditor Agreement.

“Permitted Refinancing” means any refinancing, renewal or extension of Permitted First Lien Debt (in this definition, “Existing Indebtedness”), provided that:

(a) the amount of such Existing Indebtedness is not increased at the time of such refinancing, renewal or extension except by an amount equal to all accrued and unpaid interest thereon, plus a reasonable premium or other reasonable amount paid, and fees, original issue discount and expenses reasonably incurred, in connection with such refinancing, renewal, or extension;

(b) no Default or Event of Default exists on the date of issuance of such refinanced, renewed, or extended Indebtedness or will occur as a result of the issuance of such Indebtedness;

(c) such Indebtedness is not guaranteed by any Person which is not a Guarantor of all of the Obligations; and

(d) Company shall have delivered to Administrative Agent a certificate in reasonable detail reflecting compliance with the foregoing requirements.

“Person” means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof; estate or executor thereof, Governmental Authority, or any other legally recognizable entity.

“Plan” means any employee benefit plan (as defined in Section 3(3) of ERISA) established by a Credit Party. “Plan” shall exclude any Multiemployer Plan and include any ERISA Plan.

“Plan Documents” has the meaning set forth in the Plan of Reorganization.

“Plan of Reorganization” means the Plan of Reorganization described in the Recitals hereto, as amended in any manner acceptable to the Administrative Agent and the Required Lenders in their sole and absolute discretion.

“Potential Default” means the occurrence of any condition, act, or event which, in either the business judgment of Company or the judgment of Administrative Agent (acting in its discretion), could become a Default. For purposes of any notice obligation of Company under this Agreement or any other Loan Document with respect to the existence of a Potential Default, Company shall not be deemed to have knowledge or notice of any condition, act, or event that, in the judgment of Administrative Agent, is a Potential Default, unless Administrative Agent shall have notified Company of such Potential Default prior to the date any such notice is to be given.

“Prepayment Notice” means a Prepayment Notice in the form of Exhibit D.

“Prime Rate” means, (a) for any day that is a Business Day, the “prime rate” as quoted in the print edition of The Wall Street Journal in the “Money Rates” section for such day (currently defined as the base rate on corporate loans posted by at least 75% of the nation’s thirty (30) largest banks), and (b) for any day other than a Business Day, the “prime rate” as quoted in the print edition of The Wall Street Journal in the “Money Rates” section for the immediately preceding Business Day. In the event that the “prime rate” ceases to be quoted in The Wall Street Journal, the “Prime Rate” for the purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying such prime interest rate that is selected by Administrative Agent.

“Proved Collateral Coverage Ratio” means the ratio of (i) the Modified NPV10 with respect to all Proved Reserves attributable to the Mortgaged Properties, to (ii) Total Funded Debt outstanding at such time. In calculating the Proved Collateral Coverage Ratio with respect to any date, such Modified NPV10 shall be derived from the Engineering Report prepared as of such date, and Total Funded Debt shall be calculated as of such date after giving effect to any borrowings or repayments made on such date.

“Proved Reserves” means “Proved Reserves” as defined in the Petroleum Resources Management System as in effect at the time in question (in this definition, the “PRMS”) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers and reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers (or any generally recognized successor organizations). “Proved Developed Producing Reserves” means Proved Reserves that are categorized as “Developed Producing Reserves” in the PRMS, “Proved Developed Nonproducing Reserves” means Proved Reserves that are categorized as “Developed Nonproducing Reserves” in the PRMS, and “Proved Undeveloped Reserves” means Proved Reserves that are categorized as “Undeveloped Reserves” in the PRMS.

“Register” has the meaning given to such term in Section 10.6(c).

“Regulation D” means Regulation D of the Board.

“Reimbursable Taxes” has the meaning given to such term in Section 3.5(a).

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Required Lenders” means Lenders whose aggregate Percentage Shares exceed fifty percent (50.0%).

“Reserves” means estimated volumes of crude oil, condensate, natural gas, natural gas liquids, and associated substances anticipated to be commercially recoverable from known accumulations from a given date forward, under then existing economic conditions, by established operating practices, and under current government regulations. Reserve estimates are based on interpretation of geologic or engineering data available at the time of the estimate. Reserves do not include volumes of crude oil, condensate, natural gas, or natural gas liquids that have been produced (whether held in tanks, pipelines, processing plants, or in a formation or aquifer that is being used for storage).

“Royalty” means an overriding royalty interest in Oil and Gas Properties granted to Royalty Owner pursuant to a Royalty Conveyance.

“Royalty Conveyance” means each Conveyance of Overriding Royalty Interest executed by a Credit Party in favor of Royalty Owner on the closing date of the Existing Credit Agreement and each additional conveyance, if any, executed by a Credit Party in favor of Royalty Owner, in each case conveying an overriding royalty interest in and to the Oil and Gas Properties described therein that is equal to Royalty Percentage of the working interest represented by Company in the Initial Engineering Report or hereafter acquired by such Credit Party. Each Royalty Conveyance granted after the Closing Date shall be in substantially the same form as the Royalty Conveyance delivered on or about the Closing Date (with such changes as Administrative Agent shall deem appropriate for a different recording jurisdiction or for other changed circumstances).

“Royalty Owner” means LNV Corporation, and its successors and assigns as owners of any Royalty.

“Royalty Percentage” means 1.50%.

“S&P” means Standard & Poor’s Ratings Services (a division of The McGraw Hill Companies), or its successor.

“Secured Obligations” means all Obligations.

“Security Documents” means the instruments and agreements listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages,

pledges, guaranties, financing statements, continuation statements, extension agreements, account control agreements, and other agreements or instruments now, heretofore, or hereafter delivered by Trust or any Grantor to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Secured Obligations or the performance of any Grantor's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 2 hereto.

"Strip Pricing" means, as of any date of determination:

(a) for crude oil, the closing settlement price for the Brent Crude Oil futures contract for the applicable month, as published by the IntercontinentalExchange (ICE) on its website currently located at www.theice.com, or any successor thereto (as such price may be corrected or revised from time to time by the ICE in accordance with its rules and regulations), and

(b) for natural gas, the closing settlement price for the Henry Hub Natural Gas futures contract for the applicable month, as published by New York Mercantile Exchange (NYMEX) on its website currently located at www.cmegroup.com, or any successor thereto (as such price may be corrected or revised from time to time by the NYMEX in accordance with its rules and regulations).

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization that is directly or indirectly (through one or more intermediaries) controlled by or owned more than fifty percent by such Person.

"Swap Termination Value" means, in respect of any one or more Hedging Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Contracts, (i) for any date on or after the date such Hedging Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (ii) for any date prior to the date referenced in clause (i), the amount(s) determined as the mark-to-market value(s) for such Hedging Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Contracts.

"Term Loan Amount" means, as to each Lender, the amount set forth opposite such Lender's name on the Lenders Schedule under the heading "Term Loan Amount" or in the Assignment and Assumption Agreement pursuant to which such Lender becomes a party hereto, as applicable, and "Term Loan Amounts" shall mean the aggregate Term Loan Amounts of all of the Lenders.

"Term Loans" has the meaning given such term in Section 2.1.

"Term Note" has the meaning given such term in Section 2.1.

"Termination Event" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Section 4043(c)(5) or (6) of ERISA or (ii) any other reportable

event described in Section 4043(c) of ERISA other than such a reportable event for which the 30-day notice requirement has been waived, or (b) the withdrawal by any ERISA Affiliate from an ERISA Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings by the PBGC to terminate any ERISA Plan under Section 4042 of ERISA, or (e) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan, or (f) any failure by any ERISA Plan to satisfy the ERISA Plan Funding Rules, whether or not waived, or (g) the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any ERISA Plan or the failure to make by its due date a required installment under Section 430(j) of the Internal Revenue Code with respect to any ERISA Plan, or (h) a determination that any ERISA Plan is, or is expected to be, an at-risk plan (as defined in Section 430 of the Internal Revenue Code or Section 303 of ERISA) and the funding target attainment percentage (as defined in Section 430 of the Internal Revenue Code or Section 303 of ERISA) for such plan is, or is expected to be, less than 60 percent, or (i) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent, upon any ERISA Affiliate.

“Total Funded Debt” means, at any time, (a) the aggregate principal amount of Liabilities in respect of the Loans outstanding at such time plus (b) the aggregate principal amount of Liabilities in respect of loans outstanding under the First Lien Credit Agreement at such time.

“Transactions” means the entry of the Confirmation Order and effectiveness of the Plan of Reorganization, the execution of the Loan Documents by the parties thereto, the execution of the First Lien Loan Documents by the parties thereto, and the consummation of the transactions contemplated hereby and thereby.

“Trust” means the “ERG Plan Trust” established under the Trust Declaration pursuant to the Plan of Reorganization.

“Trust Declaration” means the declaration of trust entered into by [Parent] and the Trustee on [the Closing Date].

“Trust Pledge Agreement” means a pledge agreement to be executed by Trust substantially in the form of Exhibit I-2, pursuant to which Trust grants a security interest in 100% of the Equity in Parent in favor of Administrative Agent to secure the timely repayment of the Obligations and the due and punctual performance of the obligations of Company hereunder.

“Trustee” means the Person appointed to serve as the trustee of Trust and any successor trustee.

Section 1.2. Exhibits and Schedules; Additional Definitions. All Exhibits and Schedules attached to this Agreement are a part hereof for all purposes. Reference is hereby

made to the Security Schedule for the meaning of certain terms defined therein and used but not defined herein, which definitions are incorporated herein by reference.

Section 1.3. Amendment of Defined Instruments. Unless the context otherwise requires or unless otherwise provided herein, the terms defined in this Agreement that refer to a particular agreement, instrument or document also refer to and include all renewals, extensions, modifications, amendments and restatements of such agreement, instrument or document, provided that nothing contained in this section shall be construed to authorize any such renewal, extension, modification, amendment or restatement.

Section 1.4. References and Titles. All references in this Agreement to Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions of this Agreement unless expressly provided otherwise. Exhibits and Schedules to any Loan Document shall be deemed incorporated by reference in such Loan Document. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words “this Agreement”, “this instrument”, “herein”, “hereof”, “hereby”, “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The phrases “this section” and “this subsection” and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word “or” is not exclusive, and the word “including” (in its various forms) means “including without limitation”. References to a Person’s “discretion” means its sole and absolute discretion. Pronouns in masculine, feminine and neuter genders shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to “days” shall mean calendar days, unless the term “Business Day” is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 1.5. Financial Statements and Reports. Unless otherwise expressly provided herein or unless Required Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

Section 1.6. Joint Preparation; Construction of Indemnities and Releases. This Agreement and the other Loan Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto that would require or allow any Loan Document to be construed against any party because of its role in drafting such Loan Document. All indemnification and release provisions of this Agreement shall be construed broadly (and not narrowly) in favor of the Persons receiving indemnification or being released.

ARTICLE II

The Loans

Section 2.1. Loans; Notes. Pursuant to the Existing Credit Agreement, Lenders have advanced (i) \$252,000,000 in aggregate principal amount of Term Loans (as defined in the Existing Credit Agreement), evidenced by those certain Term Notes (as defined in the Existing Credit Agreement) more fully described in Exhibit A-1, and (ii) \$120,000,000 in aggregate principal amount of Delayed Draw Term Loans (as defined in the Existing Credit Agreement), evidenced by those certain Delayed Draw Term Notes (as defined in the Existing Credit Agreement) more fully described in Exhibit A-1 (such Term Loans and Delayed Draw Term Loans, the “Existing Loans”, and such Term Notes and Delayed Draw Term Notes, the “Existing Notes”). As of the Closing Date, the obligation of Company to repay to each Lender the aggregate amount of all Existing Loans made by such Lender, together with interest accrued to the date hereof in the amount of [_____] ² and interest hereafter accruing in connection therewith, shall be renewed and extended as a single Term Loan of such Lender (each, a “Term Loan” and collectively, the “Term Loans”) and evidenced by a single promissory note issued in renewal, restatement and extension of all Existing Notes made payable to such Lender in the form of Exhibit A-2 (each, a “Term Note” and collectively, the “Term Notes”) with appropriate insertions.

Section 2.2. The Notes. The amount of principal owing on any Term Note of any Lender at any given time shall be the aggregate amount of all Term Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Term Note. Interest on each Note shall accrue and be due and payable as provided herein. Each Note shall be due and payable as provided herein and therein, and shall be due and payable in full on the Maturity Date. The Loans are not revolving loans, and Company may not borrow, repay, and reborrow hereunder or under the Notes.

Section 2.3. [Reserved].

Section 2.4. [Reserved].

Section 2.5. Interest Rates; Fees.

(a) Interest Rate; Default Rate. Each Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin but in no event to exceed the Highest Lawful Rate, provided that if an Event of Default shall have occurred and be continuing, all outstanding Loans (and all past due interest thereon) shall bear interest at the Default Rate (but not to exceed the Highest Lawful Rate) until the earlier of (x) the first date thereafter upon which there shall be no Event of Default continuing and (y) the date on which Required Lenders shall elect for the Notes to cease bearing interest at the Default Rate.

(b) Payment Dates. On each Payment Date, to the extent that all or a portion of the interest then accrued on the Loans is not paid with a Cash Interest Payment, such accrued and

² NTD: Amount to include all accrued and unpaid interest (including post-petition interest) on the Existing Loans as of the Closing Date.

unpaid interest shall continue to accrue as provided in this Agreement until the earlier of (i) any subsequent Payment Date on which such accrued and unpaid interest is paid with a Cash Interest Payment and (ii) the date on which the entire outstanding principal amount of the Loans is repaid in accordance with this Agreement, at which time all such accrued and unpaid interest shall be immediately due and payable.

Section 2.6. Collateral Account.

(a) Establishment of Collateral Account; Rules for Application.

(i) Company shall establish and maintain at its expense the Collateral Account pursuant to the Collateral Account Agreement.

(ii) The Credit Parties shall deposit or cause to be deposited into the Collateral Account all Gross Cash Receipts from and after the Closing Date through the date on which all Obligations are paid in full.

(iii) All amounts deposited into the Collateral Account shall be applied, subject to the terms of the Intercreditor Agreement, to the payment of the following items in the following order of priority, in each case to the extent then due and payable, or due within the next 30 days (with amounts referenced in clause (G) below being deemed due and payable for purposes of this subsection (a)(iii)):

(A) Existing royalties and burdens on the Mortgaged Properties, if any, that constitute Permitted Liens (to the extent and only to the extent production receipts relating to the same are included in Gross Cash Receipts) and Direct Taxes on the Mortgaged Properties;

(B) ABP LOE and ABP Transportation Costs;

(C) Fees and expenses under the Loan Documents;

(D) ABP Overhead Costs;

(E) ABP Workover Expenditures;

(F) APOD Capital Expenditures; and

(G) After making any required prepayments and/or repayments under the First Lien Loan Documents, to payment of the Obligations in accordance with Section 2.7(c).

(iv) On each Payment Date, Administrative Agent shall, subject to the terms of the Intercreditor Agreement and the provisions of subsection (a)(v) below, transfer or disburse amounts from the Collateral Account to Company's operating account (or, in Administrative Agent's discretion, directly to the Persons entitled to receive payment of such amounts) for application in accordance with subsection (a)(iii) above.

(v) After the occurrence of an Event of Default under any Loan Document or Company's failure to comply with the terms of this Section 2.6, Administrative Agent may, at its option, from time to time apply all sums after the deduction of amounts owing or to be owing during the next three month period in respect of ABP LOE in the Collateral Account to the reduction of outstanding Obligations and need not comply with any request of Company for funds to be released from the Collateral Account.

(vi) Upon termination of this Agreement, Administrative Agent shall cease to have any rights with respect to amounts remaining in the Collateral Account.

(vii) Prior to an Event of Default, Administrative Agent shall not deliver to the Collateral Account Bank an instruction to transfer or disburse funds in the Collateral Account.

(b) Notice. Company shall send a notice, in form acceptable to Administrative Agent, to all existing or new purchasers of Hydrocarbons produced from the Oil and Gas Properties, directing them to forward all amounts payable to the Credit Parties directly to the Collateral Account at the address of the Collateral Account Bank, provided that Company shall not be required to send any such notice to an existing purchaser for which a notice was previously sent and attached as an exhibit to an Officer's Certificate of Company delivered to Administrative Agent. The failure of such purchasers to comply with any such notice shall not constitute a Default hereunder by any Credit Party, provided that (i) such purchaser's failure to comply with such notice is not done at the request of Company or any Affiliate of Company, and (ii) Company and Company's Affiliates shall forward all amounts received from such purchaser to the Collateral Account by the first Business Day after Company's or Company's Affiliate's receipt thereof.

(c) Acknowledgments. Company hereby acknowledges that:

(i) Each Credit Party has granted and assigned to Administrative Agent a first priority (subject in priority only to the Liens securing the Permitted First Lien Debt), perfected security interest in the Collateral Account, all funds therein and all proceeds thereof pursuant to the Collateral Account Agreement; and

(ii) No Credit Party shall be permitted to withdraw, transfer or disburse any funds from the Collateral Account except in accordance with the terms hereof, the Collateral Account Agreement and each other Loan Document.

(d) Authority to Act. Each Credit Party hereby authorizes Administrative Agent to take the following actions (whether acting in the name of Administrative Agent, or Lenders, or as Company's attorney-in-fact, with full power of substitution): (i) to execute or file any financing statement, continuation statement, instrument of further assurance, direction, or agreement to more effectively exercise (after an Event of Default) and protect the Lender Parties' rights in the Collateral Account or (ii) to perfect, continue or confirm the provisions of this Section 2.6, any agreement entered into by Company, Administrative Agent and the Collateral Account Bank, or the security interest granted in the Collateral Account. This power, being

coupled with an interest, shall be irrevocable until all amounts due in connection with the Notes have been paid in full.

Section 2.7. Mandatory Prepayments.

(a) Subject to the terms of the Intercreditor Agreement, upon any receipt of net cash proceeds by Company or any other Credit Party in respect of a Casualty Event, Company shall make a prepayment in respect of the Loans equal to 100% of all such net cash proceeds received therefrom, immediately upon receipt thereof by Company or such other Credit Party. Each prepayment made pursuant to this Section 2.7(a) shall be applied as set forth in Section 3.1.

(b) If the Required Lenders shall, in their discretion, approve the sale or other transfer of any assets or properties requested by any Credit Party, then (unless otherwise specified in such consent, which specification may be made in the discretion of Required Lenders) Company shall make a prepayment in respect of the Loans in an amount equal to the sales proceeds received by the Credit Parties from such sale or other transfer, net of (A) the principal amount of any Indebtedness (other than the Obligations) that is secured by the applicable asset and that is required to be repaid in connection with such transaction, together with accrued and unpaid interest, premiums, if any, breakage or other similar costs, and (B) all amounts paid in respect of the early termination of Hedging Contracts unwound as a result of such disposition and other reasonable and customary out-of-pocket expenses incurred by Company or its Subsidiaries in connection with such transaction. Each prepayment made pursuant to this Section 2.7(b) shall be applied as set forth in Section 3.1.

(c) Company shall make prepayments in respect of the Loans from time to time with Gross Cash Receipts as and when provided in Section 2.6(a)(iii). Each prepayment made pursuant to this Section 2.7(c) shall be applied as set forth in Section 3.1.

(d) If any principal or interest amount payable under the Notes remains outstanding at the Maturity Date, such amount will be paid in full by Company to Lenders in immediately available funds on the Maturity Date.

Section 2.8. Optional Prepayments.

(a) Company may, at its option, upon notice as provided below and subject in all respects to the provisions of Section 3.1, prepay all or any part of the Loans, on any date, at 100% of the amount so prepaid, provided that:

- (i) such prepayment must occur on a Business Day,
- (ii) any partial payment in respect of the Loans must not be less than \$500,000 in the aggregate for all Loans then outstanding,
- (iii) each such prepayment shall be accompanied by any fees or expenses then due under this Agreement, and
- (iv) Company must give each Lender Party a written Prepayment Notice as provided in subsection (b) below of each prepayment under this section.

(b) Each such Prepayment Notice pursuant to subsection (a) above shall be in the form of Exhibit D, duly completed, given not less than 5 days and not more than 45 days prior to any date fixed for such prepayment and shall specify (1) the Business Day on which such prepayment will be made, (2) the aggregate amount of such prepayment and (A) the portion of such amount to be applied to interest payable pursuant to Sections 2.5 and 3.1, and (B) the portion of such amount (if any) to be applied to principal pursuant to Sections 2.8 and 3.1 and (3) the fees or expenses to be paid on the prepayment date. Upon the giving of such notice, the principal to be prepaid as described therein shall become due and payable, along with the applicable interest on the prepayment date specified in such notice. Each such prepayment of Loans shall be allocated among all Lenders in proportion to their unpaid Loans.

(c) Any principal prepaid pursuant to subsection (a) of this Section shall be made without any premium or penalty.

Section 2.9. [Reserved].

Section 2.10. [Reserved].

Section 2.11. [Reserved].

Section 2.12. Computation of Interest and Fees.

(a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. Any change in the interest rate on a Loan resulting from a change in the ABR shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify Company and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on Company and the Lenders in the absence of manifest error.

ARTICLE III

Payments to Lenders

Section 3.1. General Procedures. Company will make each payment that it owes under the Loan Documents to Administrative Agent for the account of the Person to whom such payment is owed, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than 12:00 noon (local time at the designated place of payment) on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. In the case of any extension of any payment of principal pursuant to the preceding sentence, interest thereon shall be payable at the then applicable rate during such extension. When Administrative Agent collects or receives

money on account of the Obligations, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows:

- (a) first, for the payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Administrative Agent (including fees and time charges for attorneys who may be employees of Administrative Agent) and amounts payable under Article III) payable to Administrative Agent in its capacity as such;
- (b) then for the payment of accrued and unpaid interest on the Loans;
- (c) then for the prepayment of principal of the Loans; and
- (d) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any accrued and unpaid interest, then to principal then due and payable, and last to any prepayment of principal in compliance with Section 2.8. All distributions of amounts described in any of subsections (b), (c) or (d) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties that are described in such subsection; provided that if any Lender then owes payments to Administrative Agent under Section 9.4, any amounts otherwise distributable under this section to such Lender shall be deemed to belong to Administrative Agent to the extent of such unpaid payments, and Administrative Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Payment of Interest. On each Payment Date, to the extent that all or a portion of the interest then accrued on the Loans is not paid with a Cash Interest Payment, such accrued and unpaid interest shall continue to accrue as provided in this Agreement until the earlier of (a) any subsequent Payment Date on which such accrued and unpaid interest is paid with a Cash Interest Payment and (b) the date on which the entire outstanding principal amount of the Loans is repaid in accordance with this Agreement, at which time all such accrued and unpaid interest shall be immediately due and payable.

Section 3.3. Place of Payment. Payments becoming due and payable on the Notes and under the other Loan Documents shall be made by wire transfer to a bank and account located in the State of [New York]³ specified by Administrative Agent. Administrative Agent may at any time, by notice to Company, change the place of payment of any such payments so long as such place of payment shall be in the State of New York.

Section 3.4. Capital Reimbursement. If the introduction or implementation after the date hereof of or the compliance with any request, directive or guideline issued after the date hereof from any central bank or other Governmental Authority (whether or not having the force of Law) regarding capital requirements has or would have the effect of reducing the rate of return on any Lender Party's capital, or on the capital of any corporation controlling such Lender Party,

³ NTD: Under review.

as a consequence of the Loans made by such Lender Party, to a level below that which such Lender Party or such corporation could have achieved but for such change (taking into consideration such Lender Party's policies and the policies of any such corporation with respect to capital adequacy), then from time to time Company will pay to Administrative Agent for the benefit of such Lender Party, within three Business Days after demand therefor by such Lender Party, such additional amount or amounts that such Lender Party shall determine to be appropriate to compensate such Lender Party for such reduction.

Section 3.5. Reimbursable Taxes. Company covenants and agrees that:

(a) Company will indemnify each Lender Party against and reimburse each Lender Party for all present and future taxes, levies, costs and charges whatsoever imposed by a Governmental Authority on or with respect to any payment made by or on account of any obligation of any Credit Party under any Loan Document and stamp and other similar taxes that arises from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document (whether or not legally or correctly imposed, assessed, levied or collected), excluding, however, (i) taxes imposed on or measured by its net income (however denominated), branch profits taxes and franchise taxes imposed on it (in lieu of net income taxes), in each case, by the jurisdiction (or any political subdivision thereof) under the Laws of which it is organized or otherwise resides for tax purposes or maintains the office, branch, or agency through which it administers this Agreement, (ii) with respect to each Lender Party, taxes imposed by reason of any present or former connection between such Lender Party and the jurisdiction imposing such taxes, other than solely as a result of this Agreement or any Note or any transaction contemplated hereby, (iii) any United States withholding tax imposed on any payment by a Credit Party pursuant to this Agreement or under any Loans, but not excluding any portion of such tax that exceeds the United States withholding tax that would have been imposed on such a payment to such Lender Party under the Laws and treaties in effect when such Lender Party first becomes a party to this Agreement or changed its lending office, (iv) any taxes attributable to such Lender Party's failure to comply with Section 3.5(c) or (d) and (v) any taxes paid pursuant to FATCA (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes"). Such indemnification shall be paid within 10 Business Days after a Lender Party makes demand therefor.

(b) All payments on account of the principal of, and interest on, each Lender Party's Loans and Note, and all other amounts payable by Company to any Lender Party hereunder shall be made free and clear of and without deductions or withholdings of any nature by reason of any Reimbursable Taxes, all of which will be for the account of Company. In the event of Company being compelled by Law to make any such deduction or withholding with respect to Reimbursable Taxes from any payment to any Lender Party, Company shall pay on the due date of such payment, by way of additional interest, such additional amounts as are needed to cause the amount receivable by such Lender Party after such deduction or withholding to equal the amount that would have been receivable in the absence of such deduction or withholding. If Company should make any deduction or withholding as aforesaid, Company shall within 60 days thereafter forward to such Lender Party an official receipt or other official document evidencing payment of such deduction or withholding.

(c) Notwithstanding the foregoing provisions of this section, Company shall be entitled, to the extent it is required to do so by Law, to deduct or withhold (and not to make any indemnification or reimbursement for) any taxes from principal, interest, fees or other amounts payable hereunder for the account of any Lender Party, other than a Lender Party (i) who has duly executed Internal Revenue Service Form W-9 on file with Administrative Agent (with copies provided to Company) certifying that such Lender Party is exempt from U.S. federal backup withholding tax or (ii) who has the Prescribed Forms on file with Administrative Agent (with copies provided to Company) for the applicable year to the extent deduction or withholding of such taxes is not required as a result of the filing of such Prescribed Forms, provided that if Company shall so deduct or withhold any such taxes, it shall provide a statement to Administrative Agent and such Lender Party, setting forth the amount of such taxes so deducted or withheld, the applicable rate and any other information or documentation that such Lender Party may reasonably request for assisting such Lender Party to obtain any allowable credits or deductions for the taxes so deducted or withheld in the jurisdiction or jurisdictions in which such Lender Party is subject to tax. As used in this section, “Prescribed Forms” means such duly executed forms or statements, and in such number of copies, which may, from time to time, be prescribed by Law and which, pursuant to applicable provisions of (x) an income tax treaty between the United States and the country of residence of the Lender Party providing the forms or statements, (y) the Internal Revenue Code, or (z) any applicable rules or regulations thereunder, permit Company to make payments hereunder for the account of such Lender Party free of such deduction or withholding of income or similar taxes. If a payment made to a Lender Party under any Loan Document would be subject to U.S. federal withholding tax imposed by FATCA if such Lender Party were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender Party shall deliver to Company and Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by Company or Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by Company or Administrative Agent as may be necessary for Company and Administrative Agent to comply with their obligations under FATCA and to determine that such Lender Party has complied with such Lender Party's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

(d) Notwithstanding anything to the contrary in this Agreement, any Lender Party that is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document shall deliver to Company and the Administrative Agent, at the time or times reasonably requested by Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender Party, if reasonably requested by Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Company or the Administrative Agent as will enable Company or the Administrative Agent to determine whether or not such Lender Party is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.5(c)) shall not be required if in the Lender Party's reasonable judgment such completion, execution or submission would subject such

Lender Party to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(e) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the taxes giving rise to such refund), net of all out-of-pocket expenses (including taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the indemnifying party or any other Person.

ARTICLE IV

Conditions Precedent to Effectiveness

Section 4.1. Closing Date Conditions. The effectiveness of this Agreement is subject to the satisfaction, or waiver in accordance with Section 10.1, of the following conditions on or before the Closing Date:

(a) Closing Documents. Administrative Agent shall have received all of the following, duly executed and delivered and in form, substance and date satisfactory to Administrative Agent:

- (i) this Agreement and any other documents the Lenders are to execute in connection herewith;
- (ii) the Guaranty;
- (iii) a Term Note for each Lender in the form set forth in Exhibit A-2;
- (iv) each Security Document listed in the Security Schedule;
- (v) the ABP and APOD;

(vi) an “Omnibus Certificate” of the [Secretary and of the President]⁴ of Company, which shall contain the names and signatures of the officers or representatives authorized to execute Loan Documents and which shall certify as of the Closing Date to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted by the Trustee as the sole manager of Company and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of Company and all amendments thereto, certified by the appropriate official of the state of organization, (3) a copy of the operating agreement (or equivalent) of Company; (4) a certified copy of the Plan of Reorganization as approved by the Bankruptcy Court and (5) a certified copy of the Confirmation Order as entered by the Bankruptcy Court;

(vii) a “Compliance Certificate” of the president or a vice president of Company, dated as of the Closing Date, in which such officer certifies to the satisfaction of the conditions set out in clauses (j), (k), (l) and (m) of this Section 4.1 as of the Closing Date;

(viii) a certificate (or certificates) of the due formation, valid existence and good standing of Company in its state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of Company’s good standing and due qualification to do business, issued by appropriate officials in any states in which Company owns material property subject to Security Documents dated, in each case, as of a recent date prior to the Closing Date;

(ix) documents and certificates similar to those specified in clauses (vi) and (viii) of this subsection with respect to each Credit Party (other than Company);

(x) a “Trustee’s Certificate” of the Trustee, which shall certify as of the Closing Date to the truth, correctness and completeness of the Trust Declaration;

(xi) the Initial Financial Statements;

(xii) favorable opinions of DLA Piper LLP (US), counsel for the Credit Parties, and of local California counsel acceptable to Administrative Agent, collectively addressing the matters set forth in Exhibit H;

(xiii) any instruments evidencing any Indebtedness owed to any Grantor pledged pursuant to any Security Document, indorsed in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof;

(xiv) any certificates evidencing issued and outstanding Equity of any Credit Party pledged pursuant to any Security Document, together with undated, blank stock powers for each such certificate;

⁴ NTD: Reference appropriate officer or officers of the Company.

(xv) proper Uniform Commercial Code financing statements in form appropriate for filing in all jurisdictions that Administrative Agent may deem necessary or advisable in order to perfect the Liens created under the Security Documents; and

(xvi) the results of such Uniform Commercial Code search reports from the jurisdictions of organization of Trust and each of the Credit Parties as Administrative Agent may request, in each case reflecting no prior Liens (other than Permitted Liens) encumbering the properties of such Credit Parties or the Equity interests in Parent.

(xvii) a true, correct and complete copy of the First Lien Credit Agreement, the Intercreditor Agreement, and each other First Lien Loan Document, duly executed and delivered by each party thereto. Simultaneously with the effectiveness of this Agreement on the date hereof, the First Lien Effective Date must occur and all conditions precedent to the First Lien Effective Date must be fully satisfied.

(b) Due Diligence. Administrative Agent and Lenders shall have completed a due diligence investigation of the Credit Parties in scope, and with results, satisfactory to Lenders, and shall have been given such access to the management, records, books of account, contracts and properties (including their Oil and Gas Properties) of the Credit Parties and shall have received and found to be satisfactory such financial, business and other information regarding each of the foregoing Persons and businesses as they shall have requested, including each of the following:

(i) certificates of Company's insurance agents or brokers evidencing that Company is carrying insurance as required in the Loan Documents and that Administrative Agent has been named as additional insured and loss payee thereunder as its interests may appear and to the extent required under Section 6.8.

(ii) evidence satisfactory to Administrative Agent that (1) the Credit Parties are in compliance with all applicable Environmental Laws; and (2) that all environmental, health and safety permits, licenses and other authorizations necessary for operations have been obtained and are maintained in full force and effect.

(iii) the Initial Engineering Report.

(iv) title information confirming Company's and the other Guarantors' title to their Oil and Gas Properties that constitute Collateral.

(c) Collateral Account. Company shall have established the Collateral Account as required hereunder.

(d) Payment of Fees and Expenses. The Lender Parties and their counsel shall have contemporaneously received all fees and other amounts due and payable on or prior to the Closing Date with respect to this Agreement including the fees and reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Company hereunder or under each mandate or expense letter executed by Company or any Affiliate thereof.

(e) Confirmation of Plan. The “Effective Date” of the Plan of Reorganization shall have occurred. The Confirmation Order (i) shall have been entered on the docket of the Chapter 11 Case, (ii) shall be in full force and effect, (iii) shall constitute a final order not subject to appeal and (iv) shall be acceptable to the Administrative Agent and the Required Lenders in their discretion.

(f) Plan Documents. Each of the Plan Documents shall be in form and substance acceptable to the Administrative Agent and the Required Lenders in their discretion.

(g) Plan Trustee. The Trustee shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(h) Chief Executive Officer. The chief executive officer of Company shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(i) Contract Operator. The initial contract operator of the Oil and Gas Properties pursuant to the Plan of Reorganization shall be a Person acceptable to the Administrative Agent and the Required Lenders in their discretion.

(j) Outstanding Indebtedness. After giving effect to the Transactions, the Credit Parties and their Subsidiaries shall have no outstanding Indebtedness for borrowed money or preferred stock other than (i) the Loans and (ii) the Indebtedness under the First Lien Credit Agreement.

(k) Other Documentation. Administrative Agent shall have received all documents and instruments (in form and substance satisfactory to Administrative Agent in its discretion) that Administrative Agent has then reasonably requested, in addition to those described in this Section 4.1.

(l) Representations and Warranties. All representations and warranties made by any Person in any Loan Document shall be true and correct in all respects on and as of the Closing Date.

(m) No Default. No Default or Potential Default shall exist at the Closing Date, and immediately after giving effect to, the Transactions.

(n) No Material Adverse Change. No Material Adverse Change shall have occurred, and no event or circumstance shall have occurred that could reasonably be expected to cause a Material Adverse Change.

(o) No First Lien Default. No “Default” or “Event of Default” under any First Lien Loan Document shall have occurred and be continuing or will result from any extension of credit thereunder on the Closing Date.

ARTICLE V

Representations and Warranties

To confirm each Lender Party's understanding concerning the Credit Parties and the Credit Parties' businesses, properties and obligations and to induce each Lender to enter into this Agreement and to extend credit hereunder, Company represents and warrants that:

Section 5.1. No Default. No Credit Party is in default in the performance of any of its covenants and agreements contained in any Loan Document, and no event has occurred and is continuing that constitutes a Default.

Section 5.2. Organization and Good Standing. Each Credit Party is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Credit Party is duly qualified, in good standing, and authorized to do business in all other jurisdictions within the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure could not reasonably be expected to cause a Material Adverse Change.

Section 5.3. Authorization. Each Credit Party has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder, and such transactions are within each Credit Party's corporate, partnership, limited liability company or other powers. Company is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts or Consents. The execution and delivery by the various Credit Parties of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (a) conflict with any provision of (i) any Law, (ii) the organizational documents of any Credit Party, (iii) the Confirmation Order or the Plan of Reorganization, (iv) any First Lien Loan Document or (v) any other Material Contract, judgment, license, order or permit applicable to or binding upon any Credit Party or its property, (b) result in the acceleration of any Indebtedness owed by any Credit Party, or (c) result in or require the creation of any Lien upon any property of any Credit Party except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no permit, consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or third party is required in connection with the execution, delivery or performance by any Credit Party of any Loan Document or any First Lien Loan Document or to consummate any transaction contemplated by a Loan Document or the First Lien Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement and the other Loan Documents have been duly executed and delivered by, and are the legal, valid and binding obligations of, each of the Credit Parties and each of their respective Affiliates that is a party hereto or thereto,

enforceable in accordance with their terms except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights and by general principles of equity.

Section 5.6. Financial Statements; No Material Adverse Change.

(a) Company has heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present in all material respects the Consolidated financial position of the Persons reported on therein, at the date thereof. Except as otherwise indicated therein, the Initial Financial Statements were prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments and the absence of footnotes.

(b) The most recent financial statements furnished pursuant to Section 6.2(a) fairly present the Consolidated financial position of the Persons reported on therein, at the date thereof, all in accordance with GAAP.

(c) The most recent financial statements furnished pursuant to Section 6.2(b) fairly present the Consolidated financial position of the Persons reported on therein, at the date thereof, all in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes.

(d) Except as disclosed in Section 5.6 of the Disclosure Schedule, since the date of the Plan of Reorganization, there has been no event, development or circumstance that has caused a Material Adverse Change.

Section 5.7. Other Liabilities and Restrictions; Material Contracts. No Credit Party has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) that are, in the aggregate, material to Company or material with respect to Company's Consolidated financial condition, other than Liabilities shown in the most recently delivered financial statements and Liabilities disclosed in Section 5.7 of the Disclosure Schedule. Except as shown in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Schedule, no Credit Party is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction that could reasonably be expected to cause a Material Adverse Change. Except as listed in Section 5.7 of the Disclosure Schedule, no Credit Party has any Material Contracts (other than oil and gas leases, unit agreements, unit operating agreements, and joint operating agreements that are specifically listed on the property descriptions attached to a Mortgage). Except as listed in Section 5.7 of the Disclosure Schedule, no Credit Party is a party to any Hedging Contract.⁵

Section 5.8. Full Disclosure. The certificates, statements and other information at any time delivered to Administrative Agent by or on behalf of Company or any of Company's Affiliates in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby do not contain any untrue statement of a material fact and do not omit to state any material fact known to Company or its Affiliates (other than industry-wide risks normally associated with the types of businesses conducted by the Credit Parties) necessary

⁵ NTD: Status of BP call option as a Secured Hedging Obligation in dispute.

to make the statements contained herein or therein not misleading as of the date made or deemed made. There is no fact known to Company or its Affiliates (other than industry-wide risks normally associated with the types of businesses conducted by the Credit Parties that are not peculiar to the business of the Credit Parties) that has not been disclosed to Administrative Agent in writing that could cause a Material Adverse Change. Company has heretofore delivered to each Lender true, correct and complete copies of the Initial Engineering Report. There are no statements or conclusions in any Engineering Report that are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that each Engineering Report is necessarily based upon professional opinions, estimates and projections and that Company does not warrant that such opinions, estimates and projections will ultimately prove to have been accurate (although Company has no reason to believe that such opinions, estimates and projections are not accurate and complete).

Section 5.9. Litigation. Except as disclosed in Section 5.9 of the Disclosure Schedule: (a) there are no actions, suits or legal, equitable, arbitral or administrative proceedings pending, or to the knowledge of any Credit Party threatened, against any Credit Party or affecting any Collateral before any Governmental Authority that (i) could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change or (ii) involve any Loan Document or the transactions contemplated thereby, (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Governmental Authority against any Credit Party or any Credit Party's stockholders, partners, members, directors or officers or affecting any Collateral or any of its assets or property that could, individually or in the aggregate, reasonably be expected to cause a Material Adverse Change, and (c) there are no actions, suits or legal, equitable, arbitral or administrative proceedings or demands pending (or, to any Credit Party's knowledge, threatened) that could, individually or in the aggregate, adversely affect the rights of Company and its Subsidiaries in and to any such Collateral, including any that challenge or otherwise pertain to Company's or any of its Subsidiaries' title to such Collateral or the rights to produce and sell Hydrocarbons therefrom.

Section 5.10. Labor Disputes and Acts of God. Except as disclosed in Section 5.10 of the Disclosure Schedule, neither the business nor the properties of any Credit Party has been affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could reasonably be expected to cause a Material Adverse Change.

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans are listed in Section 5.11 of the Disclosure Schedule. No ERISA Affiliate is required to contribute to, or has any other absolute or contingent liability in respect of, any Multiemployer Plan or any ERISA Plan subject to Section 4064 of ERISA. Except as disclosed in the Initial Financial Statements or in Section 5.11 of the Disclosure Schedule: (i) no Termination Event has occurred with respect to any ERISA Plan, and no event or circumstance has occurred or exists that could reasonably be expected to constitute or result in a Termination Event; (ii) all ERISA Affiliates are in compliance in all material respects with ERISA, the Internal Revenue Code and other applicable Laws with respect to each Plan; (iii) there are no pending or, to the best knowledge of Company, threatened claims, actions or lawsuits with respect to any Plan that could reasonably be expected to result in a Material Adverse Change; and (iv) there has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has

resulted in or could reasonably be expected to result in a Material Adverse Change. Except as set forth in Section 5.11 of the Disclosure Schedule: (a) the present value of each ERISA Plan's benefits does not exceed the present value of such ERISA Plan's assets available for the payment of such benefits by more than \$5,000,000 (determined in both cases using the assumptions applicable thereto promulgated under Section 430 of the Code), (b) neither Company nor any other ERISA Affiliate is obligated to provide benefits to any retired employees (or their dependents) under any employee welfare benefits plan (as defined in Section 3(1) of ERISA) other than as required by applicable Law, and (c) neither Company nor any other ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or Section 4212(c) of ERISA.

Section 5.12. Environmental and Other Laws. Except as disclosed in Section 5.12 of the Disclosure Schedule: (a) the Credit Parties are conducting their businesses in material compliance with all applicable Laws, including Environmental Laws, and have and are in compliance with all licenses, permits, and authorizations required under any such Laws; (b) none of the operations or properties of any Credit Party is the subject of federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release of any Hazardous Materials into the environment or to the improper storage or disposal (including storage or disposal at offsite locations) of any Hazardous Materials; (c) no Credit Party (and to the best knowledge of Company and its Affiliates, no other Person) has filed any notice under any Law indicating that any Credit Party is responsible for the improper release into the environment, or the improper storage or disposal, of any material amount of any Hazardous Materials or that any Hazardous Materials have been improperly released, or are improperly stored or disposed of, upon any property owned or leased by such Credit Party; (d) no Credit Party has transported or arranged for the transportation of any Hazardous Material to any location that is (i) listed on the National Priorities List under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, listed for possible inclusion on such National Priorities List by the Environmental Protection Agency in its Comprehensive Environmental Response, Compensation and Liability Information System List, or listed on any similar state list or (ii) the subject of federal, state or local enforcement actions or other investigations that may lead to claims against any Credit Party for clean-up costs, remedial work, damages to natural resources or for personal injury claims (whether under Environmental Laws or otherwise); and (e) no Credit Party otherwise has any known material contingent liability under any Environmental Laws or in connection with the release into the environment, or the storage or disposal, of any Hazardous Materials. Each Credit Party undertook, at the time of its acquisition of each of its material properties, all appropriate inquiry into the previous ownership and uses of the property and any potential environmental liabilities associated therewith.

Section 5.13. Insurance. The Insurance Schedule (as modified or supplemented from time to time pursuant to Section 6.8(a)) contains an accurate and complete description of all material policies of property and casualty, liability, workmen's compensation and other forms of insurance owned or held by or on behalf of any Credit Party. Such policies constitute all policies of insurance required to be maintained under Section 6.8 hereof or any other applicable provision of the Loan Documents. All such policies are in full force and effect, all premiums due with respect thereto have been paid and no notice of cancellation or termination in any material respect has been received with respect to any such policy. Such policies (i) are sufficient for compliance in all material respects with all requirements of Law and of all agreements to which

any Credit Party is a party, (ii) are valid, outstanding and enforceable policies, (iii) provide adequate insurance coverage in at least such amounts and against at least such risks (but including in any event public liability) as are usually insured against in the same general area by companies engaged in the same or a similar business for the assets and operations of the Credit Parties and (iv) will not in any way be affected by, or terminate or lapse by reason of, the transactions contemplated by this Agreement and the other Loan Documents.

Section 5.14. Names and Places of Business. No Credit Party has (or during the preceding five years had) been known by, or used any other trade or fictitious name, except as disclosed in Section 5.14 of the Disclosure Schedule. Except as otherwise indicated in Section 5.14 of the Disclosure Schedule, or otherwise disclosed in writing to Administrative Agent after the Closing Date, the chief executive office and principal place of business of each Credit Party are located at the address of Company set out in Section 10.3. Except as indicated in Section 5.14 of the Disclosure Schedule or otherwise disclosed in writing to Administrative Agent, no Credit Party has any other office.

Section 5.15. Subsidiaries and Capital Structure.

(a) Section 5.15 of the Disclosure Schedule (as supplemented from time to time by Company in written notices to Administrative Agent and Lenders) sets forth a true, correct and complete description of (i) the Subsidiaries of Company and the ownership of such Subsidiaries' outstanding Equity and (ii) any other Equity in any other Person that is owned by Company or any of its Subsidiaries. All of Company's Equity in its Subsidiaries, and all other Equity set forth in such section of the Disclosure Schedule, has been duly authorized and is validly issued, fully paid and non-assessable. Except for Liens under the Loan Documents, Company and its indicated Subsidiaries own such Subsidiaries and Equity free and clear of any Liens and other restrictions (including any restrictions on the right to vote, sell or otherwise Dispose of any such Equity) and free and clear of any preemptive rights, rescission rights, or other rights to subscribe for or to purchase or repurchase any such Equity. Trust owns no properties (whether real or personal) or assets of any kind other than 100% of the Equity interests in Parent and assets related thereto. Parent owns no properties (whether real or personal) or assets of any kind other than 100% of the Equity interests in Company and assets related thereto.

(b) Except as set forth in Section 5.15 of the Disclosure Schedule, there is (i) no outstanding Equity issued by any Subsidiary of Company, (ii) no outstanding security of any such Subsidiary convertible into or exchangeable for Equity in such Subsidiary, (iii) no outstanding obligation of any Person to issue or sell any Equity in such Subsidiary or any other security of such Subsidiary convertible into or exchangeable for such Equity, and (iv) no outstanding obligation of Company or any of its Subsidiaries to repurchase, redeem, or otherwise acquire from other Persons any such Equity, security or obligation.

(c) Except as set forth in Section 7.1 as permitted Indebtedness, neither Company nor any of its Subsidiaries has any obligation to repurchase, redeem or retire any of its issued and outstanding Equity. Section 5.15 of the Disclosure Schedule (as supplemented from time to time by Company in written notices to Administrative Agent and Lenders) sets forth a true, correct and complete description of the issued and outstanding Equity issued by Company and the ownership of such outstanding Equity.

Section 5.16. Government Regulation. No Credit Party is (a) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, as amended, or any other Law that regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.17. [Reserved].

Section 5.18. Title to Properties; Licenses; Control over Accounts.

(a) Company has good and defensible title to, or valid leasehold interests in, its Oil and Gas Properties to which Proved Reserves are attributed in each Engineering Report or with respect to which drilling operations are expected to commence within the next 30 days and all of its other material properties and assets necessary or used in the ordinary conduct of its business, free and clear of all Liens, encumbrances, or adverse claims other than Permitted Liens and free and clear of all material impediments to the use of such properties and assets in Company’s business. The Royalties are conveyed to Royalty Owner by the Credit Parties free and clear of any Lien other than the Permitted Liens.

(b) Each Engineering Report at any time delivered pursuant to Section 6.2(l) correctly states in all material respects the working interests and net revenue interests of Company in the Proved Reserves that are the subject of such Engineering Report. Company is not obligated to bear any percentage share of the costs and expenses relating to the drilling, development and production of such Proved Reserves in excess of such working interests that is not offset by a corresponding proportionate increase in Company’s net revenue interest in such Proved Reserves, and (subject to the Loan Documents) Company is entitled to receive percentage shares of the revenues from the production of such Proved Reserves that are at least equal to such net revenue interests.

(c) All material leases and agreements necessary for the conduct of the business of the Credit Parties are valid and subsisting and in full force and effect, and there exists no default, or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default, under any such lease or agreement which could reasonably be expected to result in a Material Adverse Change.

(d) All of the properties of the Credit Parties which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards, except to the extent any failure to satisfy the foregoing could not reasonably be expected to affect adversely Company’s rights and benefits with respect to such properties or result in a Material Adverse Change.

(e) Each Credit Party possesses all licenses, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) that are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, and no Credit Party is in violation in any material respect of the terms under

which it possesses such intellectual property or the right to use such intellectual property, except in each case where any such failure could not reasonably be expected to result in a Material Adverse Change.

(f) No Credit Party has granted control over any Deposit Accounts to any Person, other than Administrative Agent and the bank with which any Deposit Account is maintained. No Credit Party has any “securities accounts” as defined and described in the UCC.

Section 5.19. Regulation U. Neither Company nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loans will be used for a purpose that violates Regulation U.

Section 5.20. Leases and Contracts; Performance of Obligations. Each lease, deed, or other agreement forming any part of the Oil and Gas Properties of Company to which Proved Reserves are attributed in each Engineering Report or with respect to which drilling operations are expected to commence within the next 30 days is in full force and effect, and all rents, royalties and other payments due and payable under such leases, deeds, and other agreements have been properly and timely paid except where the failure to make such payments could not reasonably be expected to affect adversely Company’s rights and benefits under such leases, deeds, and other agreements or result in a Material Adverse Change. Company is not in default with respect to its obligations (and Company is not aware of any default by any third party with respect to such third party’s obligations) under any such leases, deeds, and other agreements, or under any Permitted Liens, or otherwise attendant to the ownership or operation of any part of the Oil and Gas Properties except to the extent such default could not reasonably be expected to affect adversely the ownership or operation of the Oil and Gas Properties to which any such Proved Reserves are attributed or result in a Material Adverse Change. Except as reflected in the most recently delivered Engineering Report, Company is not currently accounting for any royalties, overriding royalties or other payments out of production on a basis (other than delivery in kind) that is less favorable to Company than proceeds received by Company (calculated at the well) from the sale of such production, and Company does not have any liability (or alleged liability) to account for the same on any such less favorable basis.

Section 5.21. Marketing Arrangements. Except as set forth in Section 5.21 of the Disclosure Schedule, no Oil and Gas Property is subject to any contractual or other arrangement (a) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) or (b) whereby payments are made to a Credit Party other than by checks, drafts, wire transfers, or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements, transportation agreements and other agreements relating to the marketing of production that are listed in Section 5.21 of the Disclosure Schedule in connection with the Oil and Gas Properties to which such contract or agreement relates: (i) no Oil and Gas Property is subject to any contractual or other arrangement for the sale, processing or transportation of production (or otherwise related to the marketing of production) that cannot be canceled by such Credit Party on 120 days’ (or less) notice or that does not provide for the prices to be paid for such production to float with the market at least as often as monthly, and (ii) all contractual or other arrangements for the sale, processing or transportation of production (or otherwise related to the marketing of

production) are bona fide arm's length transactions with third parties not affiliated with Company. Each Credit Party is presently receiving a price for all production from (or attributable to) each Oil and Gas Property covered by a production sales contract or marketing contract that is computed in all material respects in accordance with the terms of such contract, and no Credit Party is having deliveries of production from such Oil and Gas Property curtailed materially below such property's delivery capacity, except for curtailments caused (1) by an act or event of force majeure not reasonably within the control of and not caused by the fault or negligence of a Credit Party and which by the exercise of reasonable diligence such Credit Party is unable to prevent or overcome, or (2) by routine maintenance requirements in the ordinary course of business.

Section 5.22. Right to Receive Payment for Future Production. Except as set forth in Section 5.22 of the Disclosure Schedule, no Credit Party, and no predecessor in title of any Credit Party, has received prepayments (including payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any Hydrocarbons produced or to be produced from any Oil and Gas Properties after the date hereof. Except as set forth in Section 5.22 of the Disclosure Schedule, no Oil and Gas Property is subject to any "take or pay", gas imbalances or other similar arrangement (a) as a result of which Hydrocarbons produced from such Oil and Gas Property may be required to be delivered to one or more third parties without current payment (or without full payment) therefor or (b) that is determined in whole or in part by reference to the production or transportation of Hydrocarbons from other properties. Except as set forth in Section 5.22 of the Disclosure Schedule, there is no Oil and Gas Property with respect to which any Credit Party, or any Credit Party's predecessors in title, has, prior to the date hereof, taken more ("overproduced"), or less ("underproduced"), gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Oil and Gas Property would entitle it to take. Section 5.22 of the Disclosure Schedule accurately reflects, for each well or unit with respect to which such an imbalance is shown thereon to exist, (i) whether such Credit Party is overproduced or underproduced and (ii) the volumes (in cubic feet or British thermal units) of such overproduction or underproduction and the effective date of such information. Since the date of this Agreement, no material changes have occurred in such overproduction or underproduction except those that have been reported as required pursuant to Section 6.2. No Oil and Gas Property is subject to any regulatory refund obligation and, to the best of each Credit Party's knowledge, no facts exist that might cause the same to be imposed.

Section 5.23. Operation of Oil and Gas Properties. The Oil and Gas Properties (and all properties unitized therewith) are being (and, to the extent the same could adversely affect the ownership or operation of the Oil and Gas Properties after the date hereof, have in the past been) maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards, in material conformity with all applicable Laws, all oil, gas or other mineral leases and other contracts and agreements forming a part of the Oil and Gas Properties, and all Permitted Liens. Except as disclosed in Section 5.23 of the Disclosure Schedule, (a) no Oil and Gas Property is subject to having allowable production after the date hereof reduced below the full and regular allowable production (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) prior to the date hereof and (b) none of the wells located on the Oil and Gas Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are bottomed under and

producing from, with the well bores wholly within, the Oil and Gas Properties (or, in the case of wells located on properties unitized therewith, such unitized properties). Each Credit Party has or will obtain as required for Company's budgeted schedule for development of the Oil and Gas Properties (including as set forth in the APOD) (x) all materials, supplies, machinery, equipment, improvements and other personal property and fixtures, including water, sand, wellhead equipment, pumping units, flowlines, tanks, buildings, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, and other equipment (or adequate provision has been made for the acquisition thereof), (y) all easements, rights-of-way, surface leases and other surface rights, and (z) all permits and licenses, in each case, necessary or desirable for the exploration, development, operation or maintenance of its Oil and Gas Properties (and the wells contemplated to be spud or drilled within the next 30 days) including land use permits, and no Credit Party has received notice of any material violations in respect of any such easements, rights-of-way, surface leases, surface rights, licenses or permits. Notwithstanding anything to the contrary in this Section 5.23, Credit Parties have obtained and are in material compliance with all licenses, permits, and authorizations necessary for (i) the operation of the first two 85 MMBtu/hr steam generators described in the APOD and (ii) the construction and initial phase of operation of the third 85 MMBtu/hr steam generator described in the APOD, in each case together with all licenses, permits, and authorizations necessary for the injection of steam from such generators into wells as described in the APOD, and all rights to water use necessary to implement the APOD, and Credit Parties have no knowledge of any reason they should not receive all such licenses, permits and authorizations necessary for the ongoing commercial production of Hydrocarbons associated with the APOD, including operation of such steam generators and injection of steam from such steam generators into wells as described in the APOD, in a timely manner. "Material compliance" and "[no] material violations" in this context means that no notice of violation (NOV) received by any Credit Party could reasonably be expected to cause a Material Adverse Change or have a material adverse impact on Company's budgeted schedule for development of the Oil and Gas Properties (including as set forth in the APOD).

Section 5.24. Ad Valorem and Production Taxes. Except as set forth in Section 5.24 of the Disclosure Schedule, each Credit Party has paid and discharged all material ad valorem taxes assessed against its Oil and Gas Properties or any part thereof and all material production, severance and other taxes assessed against, or measured by, the production or the value, or proceeds, of the production therefrom and there are no suits, actions, claims, investigations, written inquiries, proceedings or demands pending with respect to any such taxes.

Section 5.25. Employment Agreements. Section 5.25 of the Disclosure Schedule (as supplemented from time to time with the written consent of Required Lenders (given or withheld in their discretion)) sets forth a true, correct and complete list of all employment contracts or agreements, golden parachute agreements and change of control agreements, and employee-related non-competition and non-solicitation agreements, in each case to which any Credit Party is a party. The Credit Parties have previously delivered to Administrative Agent true, correct and complete copies of all such agreements, including all amendments thereto. Each such agreement is in writing, is a valid and binding agreement enforceable against the respective parties thereto in accordance with its terms, and no Credit Party or other Person that is a party to any such agreement is in breach of, or in default with respect to, any of its obligations

thereunder, nor is any Credit Party aware of any facts or circumstances that might give rise to any breach or default thereunder.

Section 5.26. Transactions with Insiders. No direct or indirect owner of any Equity of any Credit Party or any of its Affiliates, and no associate of any such Person, is, directly or indirectly, a party to any transaction, agreement, arrangement, or understanding, written or oral, with any Credit Party that provides for the employment of, furnishing of services by, rental of real or personal property from, or otherwise requiring payments to any such Person or associate. For purposes of this Section only, an “associate” of any such Person means any member of the immediate family of such Person or any corporation, partnership, trust, or other entity in which such Person has a substantial ownership or beneficial interest (other than an interest in a public corporation that does not exceed three percent of its outstanding securities) or is a director, officer, partner, or trustee or person holding a similar position.

Section 5.27. Compliance with OFAC. No Credit Party or, to the knowledge of any Credit Party, any director, officer, agent, employee or Affiliate of any Credit Party, is currently subject to any U.S. sanctions administered by OFAC.

Section 5.28. Plan of Reorganization. The Plan of Reorganization has been confirmed by the Bankruptcy Court and is in full force and effect. The Confirmation Order is in full force and effect and not subject to appeal. The Plan of Reorganization and the Confirmation Order authorize each Credit Party to execute and deliver each of the Plan Documents and authorize the consummation of the transactions contemplated thereby and the performance of each Credit Party thereunder. Each of the Plan Documents is in full force and effect.

ARTICLE VI

Affirmative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Company, and to induce each Lender to enter into this Agreement, Company warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement:

Section 6.1. Payment and Performance. Company shall, and shall cause each other Credit Party to, pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and to observe, perform and comply with every covenant, term and condition set forth in the Loan Documents to which it is a party.

Section 6.2. Books, Financial Statements and Reports. Company shall, and shall cause each other Credit Party to, at all times maintain full and accurate books of account and records in accordance with GAAP. Company shall, and shall cause each Credit Party to, maintain a standard system of accounting in accordance with GAAP, to maintain its Fiscal Year as in effect on the Closing Date and to furnish the following statements and reports to each Lender Party at its own expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, commencing with the Fiscal year ending December 31, 2015, complete Consolidated and consolidating financial statements of Company, together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an unqualified opinion, based on an audit using generally accepted auditing standards, by an independent certified public accounting firm selected by Company and reasonably acceptable to Administrative Agent, stating that such Consolidated financial statements have been so prepared. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year, Consolidated statements of income, of cash flows, and of changes in owners' equity for such Fiscal Year and consolidating statements of income for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year.

(b) As soon as available, and in any event within forty-five (45) days after the end of the first three Fiscal Quarters of each Fiscal Year, commencing with the Fiscal Quarter ending September 30, 2015, the Consolidated balance sheet of Company, as of the end of such Fiscal Quarter and Consolidated statements of earnings and cash flows of Company, for such Fiscal Quarter and for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments and the absence of footnotes.

(c) Company will, together with each such set of financial statements under 6.1(a) and (b), furnish a certificate in the form of Exhibit E (a "Compliance Certificate") signed by the chief financial officer of Company (i) stating that such financial statements are accurate and complete in all material respects (subject to normal year-end adjustments), (ii) stating that he or she has reviewed the Loan Documents, (iii) containing calculations of the Proved Collateral Coverage Ratio, PDP Collateral Coverage Ratio, Leverage Ratio and Interest Coverage Ratio, and (iv) stating that no Default or Potential Default existed at the end of such Fiscal Quarter or, if any Default did or does exist, specifying the nature and period of existence of any such Default or Potential Default.

(d) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Credit Party to its equity holders and all registration statements, periodic reports and other statements and schedules filed by any Credit Party with any securities exchange, the SEC or any similar Governmental Authority.

(e) Promptly after any request by Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of any Credit Party by independent accountants in connection with the accounts or books of any Credit Party or any of its Subsidiaries, or any audit of any of them.

(f) Promptly, and in any event within three Business Days after receipt thereof by any Credit Party, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Credit Party or any Subsidiary thereof.

(g) Together with each set of financial statements furnished under subsections (a) and (b) of this Section, Company will furnish (i) an accrued liabilities, accounts payable and receivable aging report (in form reasonably satisfactory to Administrative Agent) of the accrued liabilities, accounts payable and receivable of the Credit Parties. Additionally, Company will furnish a separate accrued liabilities, accounts payable and receivable aging report with respect to any such accounts that are aged 90 days or more, and (ii) a report (in form reasonably satisfactory to Administrative Agent) of all Hedging Contracts of the Credit Parties, setting forth the type, term, effective date, termination date and notional amounts or volumes and the counterparty to each such agreement.

(h) As soon as available, and in any event not less than thirty (30) days before the first day of each Fiscal Quarter, Company shall submit to Administrative Agent an updated business plan and budget that it proposes to become the Approved Business Plan and an updated plan of development with respect to budgeted capital expenditures and other development activities with respect to the Oil and Gas Properties that it proposes to become the Approved Plan of Development, which plans will extend through the 3-month period following the end of the then current ABP and APOD. Upon receipt of such proposed plans and budgets, Administrative Agent shall make available such plans and budgets to the Lenders and each Lender shall have fifteen (15) days to respond to Administrative Agent with its approval or disapproval of such plans and budgets. If, at the end of such fifteen (15) days, any Lender has not communicated its approval or disapproval in writing to Administrative Agent, such silence shall be deemed to be a disapproval of such proposed plans and budgets. If, at the end of such 15-day period, Required Lenders have approved as aforesaid, Administrative Agent shall promptly notify Company of such approval, and such proposed plans and budgets shall take effect upon execution by Administrative Agent and Company of an ABP Certificate or APOD Certificate with respect to such plans and budgets, as applicable. In the event that such plans and budgets do not become effective on or before the first day of any Fiscal Quarter, then no expenditures shall be made with respect to the proposed ABP and no further drilling operations shall be commenced with respect to the proposed APOD; provided that Administrative Agent may, upon the request of Required Lenders in their discretion, submit to Company a substitute business plan and budget for the next 3-month period, in which case such substitute plan and budget shall take effect upon execution by Administrative Agent and Company of an ABP Certificate or APOD Certificate with respect to such substitute plan and budget, as applicable.

(i) Concurrently with the annual renewal of Company's insurance policies, certificates, schedules and reports required under subsections (c)(5) and (c)(6) of the Insurance Schedule.

(j) As soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter, quarterly operating reports on the Oil and Gas Properties, which shall include a description by field of leasehold operating expenses and of the gross quantities of Hydrocarbons and water produced from the Mortgaged Properties during such quarter, and a description by plant of the volumes of gas processed and treated at such plant, the amounts of natural gas and plant products sold, and the prices received (setting out the elements of such calculation in detail reasonably acceptable to Administrative Agent).

(k) As soon as available, and in any event within sixty (60) days after the end of each Fiscal Quarter, a report in detail acceptable to Administrative Agent containing (i) a listing of wells spud, drilled, or completed on the Oil and Gas Properties during the reporting period and (ii) a discussion of any material current operating problems with any wells and any proposed solutions.

(l) An annual Engineering Report, prepared as of December 31 of each year, beginning December 31, 2015, and delivered to Administrative Agent by the following March 31, and an Engineering Report, prepared as of March 31, June 30, and September 30 of each year, beginning March 31, 2016, and delivered to Administrative Agent by the following May 31, August 31, and November 30, respectively. Each such Engineering Report shall:

(i) be prepared at Company's expense by the Independent Company Engineer, concerning all of the Oil and Gas Properties to which Proved Reserves are attributed, provided that each such report prepared as of any March 31 or September 30 may at Company's option be prepared by Company's in-house engineering staff on a well by well basis with respect to each category of reserves therein;

(ii) separately report on Proved Developed Producing Reserves, Proved Developed Nonproducing Reserves and Proved Undeveloped Reserves of the Mortgaged Properties, and separately calculate the NPV10 of each such category of Reserves, provided that each such report prepared as of any March 31 or September 30 may, at Company's option be prepared by Company's in-house engineering staff reporting on such reserves on a well by well basis with respect to each category of reserves therein;

(iii) use Agreed Pricing;

(iv) take into account Company's actual experiences with leasehold operating expenses and other costs in determining projected leasehold operating expenses and other costs;

(v) take into account any "over-produced" status under gas balancing arrangements; and

(vi) otherwise, with respect to each such report prepared by Company's in-house engineering staff as of any March 31 or September 30, be substantially in the form of Exhibit J or any other form approved by Administrative Agent in its discretion, and with respect to each other report, be in such form approved by Administrative Agent in its discretion.

In the event that Company and Administrative Agent disagree over whether or not any workovers or other remedial capital expenditures should be included in an Engineering Report for the purposes of calculating NPV10, the engineers preparing the report shall resolve such disagreement by determining whether such expenditures are likely to be required in accordance with prudent industry practice and shall include or exclude such expenditures based upon such determination. Upon Administrative Agent's receipt of each such Engineering Report, the Independent Lender Engineer shall review such report and make any adjustments thereto that it in its discretion deem appropriate or advisable. The Credit Parties acknowledge and agree that

(i) the Independent Lender Engineer has been retained by Administrative Agent, (ii) its services, reports, findings, and conclusions are rendered or delivered, as applicable, solely for the benefit of the Lender Parties, and (iii) the Credit Parties shall not be entitled to rely upon or otherwise disclose any such information.

(m) Promptly after request therefor by Administrative Agent, a list, by name and address, of those Persons who have purchased production during such Fiscal Quarter from the Mortgaged Properties, in form and substance reasonably satisfactory to Administrative Agent.

(n) As soon as available, and in any event within three (3) Business Days after the end of each calendar week, an itemized Consolidated statement of cash receipts, cash payments, and ending cash balance for Company for such calendar week, all in such detail as may be required by Administrative Agent in its discretion.

(o) Promptly after request therefor by Administrative Agent, such additional information regarding the business, financial, legal or corporate affairs of any Credit Party, or compliance with the terms of the Loan Documents, as Administrative Agent or any Lender may from time to time reasonably request.

(p) Promptly after the furnishing thereof, copies of any statement, report or notice furnished to any Person (other than routine communications and notices, such as borrowing requests) pursuant to the First Lien Credit Agreement and not otherwise required to be furnished to Administrative Agent or Lenders pursuant to any other provision of the Loan Documents.

Section 6.3. Other Information and Inspections. Company shall, and shall cause each other Credit Party to, furnish to each Lender any information which Administrative Agent may from time to time reasonably request concerning any provision of the Loan Documents, any Collateral, or any matter in connection with the businesses, properties, prospects, financial condition and operations of any Credit Party, including all evidence which Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Credit Party in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto. Company shall, and shall cause each other Credit Party to, at the expense of Company, permit representatives appointed by Administrative Agent (including independent accountants, auditors, agents, attorneys, appraisers and any other Persons) to visit and inspect during normal business hours any of such Credit Party's property, including its books of account, other books and records, and any facilities or other business assets, and to make extra copies therefrom and photocopies and photographs thereof, and to write down and record any information such representatives obtain, and Company shall, and shall cause each other Credit Party to, permit Administrative Agent or its representatives to investigate and verify the accuracy of the information furnished to Administrative Agent or any Lender in connection with the Loan Documents and to discuss all such matters with its officers, employees and representatives.

Section 6.4. Notice of Material Events and Change of Address. Company will promptly notify each Lender Party in writing, stating that such notice is being given pursuant to this Agreement, of:

- (a) the occurrence of any Material Adverse Change,
- (b) the occurrence of any Default or Potential Default,
- (c) the acceleration of the maturity of any Indebtedness in excess of \$500,000 owed by any Credit Party or of any default by any Credit Party under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound,
- (d) the occurrence of any Termination Event,
- (e) any claim of \$500,000 or more, any notice of potential liability under any Environmental Laws that might exceed such amount, or any other material adverse claim, in each case that is asserted against or affects any Credit Party or any Credit Party's properties,
- (f) the filing of any suit or proceeding against any Credit Party in which an adverse decision could reasonably be expected to cause a Material Adverse Change,
- (g) to the extent not previously disclosed to Administrative Agent in writing, promptly upon the acquisition thereof, a listing of any Oil and Gas Property acquired by any Credit Party,
- (h) any bona fide offer in respect of a sale, transfer, lease, exchange or other Disposition of any property or assets of any Credit Party by the Trustee in accordance with the Plan Documents (other than any such Dispositions permitted under Section 7.5),
- (i) the occurrence of any "Default" or "Event of Default" as such terms are defined in the First Lien Credit Agreement; and
- (j) promptly upon receipt thereof, all demands or material notices given or received by Company or on its behalf in connection with the Permitted First Lien Debt or any Permitted Refinancing.

Upon the occurrence of any of the foregoing Company shall, and shall cause each other Credit Party to, take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Company will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty (20) Business Days prior to the date that any Credit Party changes its name or the location of its chief executive office or its location under the Uniform Commercial Code.

Section 6.5. Maintenance of Properties. Company shall, and shall cause each other Credit Party to, maintain, preserve, protect, and keep all Collateral and all other property used or

useful in the conduct of its business in good condition (normal wear and tear excepted) and in accordance with prudent industry standards, and will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be conducted at all times consistent with prudent industry practices. All Collateral is, and will remain, located on property subject to a Mortgage, except for that portion thereof which is or shall be located elsewhere in the course of the normal operation of such properties or for Hydrocarbons being sold in the ordinary course of business. Company shall, and shall cause each other Credit Party to, maintain, good and defensible title to the fee interests in real property and the oil and gas leasehold interests comprising the Collateral, free and clear of all Liens except for Permitted Liens.

Section 6.6. Maintenance of Existence and Qualifications. Company shall, and shall cause each other Credit Party to, maintain and preserve, in full force and effect, (i) its existence and good standing under the Laws of its jurisdiction of organization and (ii) its rights and franchises and will qualify to do business in all states or jurisdictions where required by applicable Law, except where the failure so to qualify could reasonably be expected to cause a Material Adverse Change; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.4.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Company shall, and shall cause each other Credit Party to, (a) timely file all material required tax returns including any extensions; (b) timely pay all material taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property before the same become delinquent; (c) within ninety (90) days past the original invoice billing date therefor (but in no event more than 30 days past the due date thereof) pay all Liabilities owed by it on and after the Petition Date on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) subject to the Plan of Reorganization, pay and discharge when due all other Liabilities now or hereafter owed by it, other than royalty payments suspended in the ordinary course of business; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP. Each Credit Party may, however, delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings and has set aside on its books adequate reserves therefor that are required by GAAP.

Section 6.8. Insurance.

(a) Company shall, and shall cause each other Credit Party to, (i) maintain insurance (including comprehensive general liability, and hazard insurance) with responsible and reputable insurance companies or associations having Best's ratings of A-, Class XIII or higher with respect to its business and properties (including all real properties leased or owned by it), in such amounts and covering such risks as required by any Governmental Authority having jurisdiction with respect thereto and as carried generally in accordance with sound business practice by similarly situated companies in similar businesses, and, in any event in amount, adequacy and scope as required by the Insurance Schedule or as reasonably requested by Administrative Agent. If any Credit Party fails to maintain such insurance, Administrative Agent or any Lender may arrange for such insurance, but at Company's expense and without any responsibility on the part of Administrative Agent or any Lender for obtaining the insurance, the solvency of the insurance

companies, the adequacy of the coverage, or the collection of claims. Upon the occurrence and during the continuance of an Event of Default, Administrative Agent shall have the sole right (both in the name of Lenders and in the name of any Credit Party), to file claims under any insurance policies, to receive, receipt and give acquittance for any payments that may be payable thereunder, and to execute any and all endorsements, receipts, releases, assignments, reassignments or other documents that may be necessary to effect the collection, compromise or settlement of any claims under any such insurance policies.

(b) On or prior to the Closing Date and thereafter, upon request of Administrative Agent, Company shall, and shall cause each other Credit Party to, furnish or cause to be furnished to Administrative Agent from time to time a summary of the respective insurance coverage of such Credit Party in form and substance reasonably satisfactory to Administrative Agent, and, if requested, will furnish Administrative Agent copies of the applicable policies. Company shall, and shall cause each other Credit Party to cause any insurance policy maintained by such Credit Party (i) to provide that such policy may not be cancelled or reduced for any reason without 30 days prior notice to Administrative Agent, (ii) to name Administrative Agent as an additional insured (in the case of all liability insurance policies) and loss payee (in the case of all casualty and property insurance policies), (iii) to reflect Administrative Agent as mortgagee, (iv) to contain an unrepaid damage clause, and (v) to provide for such other matters as any Lender Party may reasonably require.

(c) Subject to the Intercreditor Agreement, all insurance payments received from any Casualty Event with respect to any Collateral and all other insurance payments in respect of such Collateral shall be paid to Administrative Agent and shall be applied to the prepayment of the Obligations in accordance with Section 2.7(a) unless otherwise agreed to by Administrative Agent and Company.

Section 6.9. Performance on Company's Behalf. If any Credit Party fails to pay any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same. Company shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall constitute an Obligation owed hereunder that is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. In addition to its obligations to pay interest on the Loans (and any past due interest thereon) at the Default Rate as and when provided in Section 2.5, Company hereby promises to each Lender Party to pay interest at the Default Rate on all other Obligations that Company has in this Agreement promised to pay to such Lender Party and that are not paid when due. Such interest shall accrue from the date such Obligations become due until they are paid.

Section 6.11. Compliance with Law. Company shall, and shall cause each other Credit Party to, perform all material obligations it is required to perform under the terms of each material indenture, mortgage, deed of trust, security agreement, lease, franchise, agreement, contract or other material instrument or obligation to which it is a party or by which it or any of its properties is bound. Company shall, and shall cause each other Credit Party to conduct its business and affairs in material compliance with all Laws applicable thereto. Company shall,

and shall cause each other Credit Party to cause all licenses, permits, and authorizations necessary or appropriate for the conduct of its business and the ownership and operation of its property used and useful in the conduct of its business, including land use permits, to be obtained and at all times maintained in good standing and in full force and effect. Without limitation of the foregoing, Company shall, and shall cause each other Credit Party to cause all licenses, permits, and authorizations necessary for the construction and operation for commercial production of Hydrocarbons of the third 85 MMBtu/hr steam generator described in the APOD, together with all licenses, permits, and authorizations necessary for the injection of steam from such generator into wells as described in the APOD, and all rights to water use necessary to implement the APOD, to be obtained within 120 days of the Closing Date.

Section 6.12. Separateness Covenants.

(a) Company shall not, nor shall it permit any other Credit Party to, commingle its assets with those of any other Person.

(b) Company shall, and shall cause each other Credit Party to, conduct its business separately and in its own name from any direct or ultimate parent of such Person.

(c) Company shall, and shall cause each other Credit Party to, maintain separate financial accounts, financial statements, books and records from those of any other Person.

(d) Except as expressly permitted under Section 7.9, Company shall, and shall cause each other Credit Party to, maintain an “arm’s-length” relationship with its Affiliates.

(e) Company shall, and shall cause each other Credit Party to, use separate stationery, invoices and checks and will hold itself out as a separate and distinct entity from any other Person.

(f) Company shall, and shall cause each other Credit Party to, observe all normal corporate or company formalities.

(g) Company shall, and shall cause each other Credit Party to, correct any known misunderstanding regarding its separate identity.

(h) Company shall, and shall cause each other Credit Party to, maintain adequate capital in light of its contemplated business operations.

Section 6.13. Environmental Matters; Environmental Reviews.

(a) Company shall, and shall cause each other Credit Party to, comply in all material respects with all Environmental Laws now or hereafter applicable to it, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and will obtain, at or prior to the time required by applicable Environmental Laws, all environmental, health and safety permits, licenses and other authorizations necessary for its operations, including those necessary for thermal development, and will maintain such authorizations in full force and effect. Company shall not, nor shall it permit any other Credit Party to, do anything or permit anything to be done that will subject any of the properties of any

Credit Party to any remedial obligations under, or result in noncompliance with applicable permits and licenses issued under, any applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances.

(b) Company will promptly furnish to Administrative Agent copies of all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Credit Party, or of which any Credit Party otherwise has notice, with respect to any alleged violation of or non-compliance with any Environmental Laws, with respect to the properties or operations of Company and its Subsidiaries, or with respect to any permits, licenses or authorizations in connection with the ownership or use of such properties or in connection with any such operations.

(c) Company will promptly furnish to Administrative Agent copies of all requests for information, notices of claim, demand letters, and other notifications, received by any Credit Party in connection with the ownership or use of any of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location.

Section 6.14. Evidence of Compliance. Company shall, and shall cause each other Credit Party to, furnish to each Lender at such Credit Party's or Company's expense all evidence that Administrative Agent from time to time reasonably requests in writing as to the accuracy and validity of or compliance with all representations, warranties and covenants made by any Credit Party in the Loan Documents, the satisfaction of all conditions contained therein, and all other matters pertaining thereto.

Section 6.15. Bank Accounts; Offset. To secure the repayment of the Obligations, Company hereby grants to each Lender a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of Company that are now or hereafter held or received by or in transit to any Lender from or for the account of such Person, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Company with any Lender, and (c) any other credits and claims of Company at any time existing against any Lender. Subject to the terms of the Intercreditor Agreement, at any time and from time to time after the occurrence of any Event of Default, each Lender is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to Company), any and all items hereinabove referred to. The remedies of foreclosure and offset are separate and cumulative, and subject to the terms of the Intercreditor Agreement, either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

Section 6.16. Guaranties of Subsidiaries. Company shall, and shall cause each Guarantor, whether now existing or created or hereafter acquired or coming into existence, to promptly execute and deliver a Guaranty to Administrative Agent. Company shall, and shall cause each other Guarantor to, deliver to Administrative Agent, simultaneously with its delivery of any Guaranty, written evidence satisfactory to Administrative Agent and its counsel that such

Guarantor has taken all company action necessary to duly approve and authorize its execution, delivery and performance of such Guaranty and any other documents that it is required to execute.

Section 6.17. Agreement to Deliver Security Documents. Company shall, and shall cause each other Grantor to, deliver, to further secure the Obligations whenever requested by Administrative Agent in its discretion, deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting first and prior liens or security interests (subject only to Permitted Liens) in any real or personal property now owned or hereafter acquired by any Grantor. Company shall, and shall cause each other Grantor to, deliver, whenever requested by Administrative Agent, in its discretion, transfer orders or letters in lieu thereof with respect to the production and proceeds of production from the Collateral, in form and substance reasonably satisfactory to Administrative Agent. Company shall, and shall cause each other Grantor to, deliver, whenever requested by Administrative Agent in its discretion, favorable title opinions from legal counsel acceptable to Administrative Agent with respect to any Grantor's properties and interests designated by Administrative Agent, based upon abstract or record title examinations to dates acceptable to Administrative Agent and (a) stating that such Grantor has good and defensible title to such properties and interests, free and clear of all Liens other than Permitted Liens, (b) confirming that such properties and interests are subject to Security Documents securing the Obligations that constitute and create legal, valid and duly perfected first deed of trust or mortgage liens in such properties and interests and first priority assignments of and security interests in the oil and gas attributable to such properties and interests and the proceeds thereof (in each case, subject only to Permitted Liens), and (c) covering such other matters as Administrative Agent may request. Company shall, and shall cause each other Grantor to, deliver duly executed control agreements from each institution holding any of its or their Deposit Accounts pursuant to which such institution recognizes Administrative Agent's Lien in such Deposit Accounts and, upon the occurrence and during the continuance of a Default, agrees to transfer collected balances in all such Deposit Accounts to Administrative Agent pursuant to its instructions from time to time; provided that no such control agreement shall be required with respect to Deposit Accounts that are designated solely as (i) payroll funding accounts or (ii) royalty or joint interest owner accounts in which only funds that do not belong to a Grantor are deposited. In the event that Company or any of its Subsidiaries grants a Lien on any property to secure any obligations under the First Lien Loan Documents, Company will, and will cause such Subsidiary to, contemporaneously therewith grant to Administrative Agent to secure the Obligations a Lien on the same property pursuant to the Security Documents similar in form and substance to the grant of the Lien to secure the obligations under the First Lien Loan Documents.

Section 6.18. Production Proceeds. Notwithstanding that, by the terms of the various Security Documents and subject to the terms of the Intercreditor Agreement, the Grantors are and will be assigning to Administrative Agent and Lenders all of the "Production Proceeds" (as defined in the Mortgages) accruing to the property covered thereby, so long as no Default has occurred the Grantors may continue to receive from the purchasers of production all such Production Proceeds into the Collateral Account, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence of an Event of Default, Administrative Agent and Lenders may exercise all rights and remedies

granted under the Security Documents subject to the terms of the Intercreditor Agreement, including the right to obtain possession of all Production Proceeds then held by the Grantors or to receive directly from the purchasers of production all other Production Proceeds. In no case shall any failure (whether before or after any Event of Default and whether purposed or inadvertent) by Administrative Agent or Lenders to collect directly any such Production Proceeds constitute in any way a waiver, remission or release of any of their rights under the Security Documents, nor shall any release of any Production Proceeds by Administrative Agent or Lenders to any Grantor constitute a waiver, remission, or release of any other Production Proceeds or of any rights of Administrative Agent or Lenders to collect other Production Proceeds thereafter.

Section 6.19. Leases and Contracts; Performance of Obligations. Company shall, and shall cause each other Grantor to, maintain in full force and effect all oil, gas or mineral leases, contracts, servitudes and other agreements forming a part of any Oil and Gas Property, which constitutes Collateral, to the extent the same cover or otherwise relate to such Oil and Gas Property, and each will timely perform all of its obligations thereunder, provided that this sentence shall not prevent any Grantor from abandoning and releasing any such leases with the prior written consent of Required Lenders (i) upon their termination as the result of cessation of production in paying quantities that did not result from the failure of any Grantor to maintain such production as a reasonably prudent operator or (ii) if a reasonably prudent operator would abandon or release such lease (as determined without considering the effect of any Mortgage or Royalty Conveyance). Company shall, and shall cause each other Grantor to, properly and timely pay all rents, royalties and other payments due and payable under any such leases, contracts, servitudes and other agreements, or under the Permitted Liens, or otherwise attendant to its ownership or operation of any Oil and Gas Property which constitutes Collateral. Except as set forth in Section 6.19 of the Disclosure Schedule, no Grantor will account for any royalties, or overriding royalties or other payments out of production, on a basis (other than delivery in kind) less favorable to such Grantor than the proceeds received by such Grantor (calculated at the well) from sale of production without the prior written consent of Required Lenders.

Section 6.20. Approved Plan of Development & Approved Business Plan. Company shall, and shall cause each other Grantor to, operate and carry out its businesses and expenditures in compliance with the APOD and ABP. Company will obtain and pay for the services of all engineering and professional staff and other Persons needed to prudently execute the Approved Plan of Development.

Section 6.21. Updates of Mortgages & Royalty Conveyances. Until the Loans have been paid in full, Company shall, and shall cause each other Grantor to, as they acquire new Oil and Gas Properties (or earn any such new Oil and Gas Properties pursuant to farmout or exploration agreements), amend and supplement the Security Documents to make such new Oil and Gas Properties subject thereto and grant new Royalty Conveyances (or, at Royalty Owner's election, supplement a then existing Royalty Conveyance) conveying a Royalty in and to such Oil and Gas Properties to Royalty Owner. Such instruments shall be delivered (a) within fifteen (15) days after any Grantor acquires or earns any Oil and Gas Properties and (b) within fifteen (15) days after delivery of each Engineering Report, with respect to any Oil and Gas Properties to which Proved Reserves are attributed but not properly covered by a Mortgage and a Royalty

Conveyance. The effective date of each such instrument will be the effective date of the conveying Grantor's acquisition of its interests in the properties subject to such instrument.

Section 6.22. Material Contracts. Company shall, and shall cause each other Credit Party to, perform and observe in all material respects all of the terms and provisions of each Material Contract to be performed or observed by it within any grace period applicable thereto and, in accordance with prudent business practices, enforce its rights under each Material Contract, and, upon request by Administrative Agent, make to each other party to each such Material Contract such requests for information and reports as any Credit Party is entitled to make under such Material Contract.

Section 6.23. First Lien Loan Documents. Company shall, and shall cause each other Credit Party to, pay all amounts due under the First Lien Loan Documents to which it is a party, in accordance with the terms thereof and to observe, perform and comply with every covenant, term and condition set forth in the First Lien Loan Documents to which it is a party.

ARTICLE VII

Negative Covenants

To conform with the terms and conditions under which each Lender is willing to have credit outstanding to Company, and to induce each Lender to enter into this Agreement, Company warrants, covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement:

Section 7.1. Indebtedness. Company shall not, nor shall it permit any other Credit Party to, in any manner, owe or be liable for Indebtedness except:

- (a) the Obligations;
- (b) unsecured Indebtedness among the Grantors, which Indebtedness must be unconditionally subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent in its discretion;
- (c) Indebtedness in respect of Capital Leases and purchase money obligations for fixed or capital oil and gas assets in an aggregate principal amount not to exceed \$1,000,000 at any time;
- (d) Hedging Contracts permitted under Section 7.3;
- (e) subject to the terms of the Intercreditor Agreement, obligations incurred under the First Lien Loan Documents, including obligations in respect of Hedging Contracts as contemplated therein; provided that the aggregate principal amount of loans under the First Lien Loan Documents do not to exceed \$150,000,000 (the "Permitted First Lien Debt"), and any Permitted Refinancing thereof;
- (f) Indebtedness in respect of plugging and abandonment Liabilities of any Credit Party in the ordinary course of its oil and gas business;

(g) unsecured Indebtedness in an aggregate principal amount not to exceed \$1,000,000 at any time; and

(h) other unsecured Indebtedness associated with bonds or surety obligations required by Law or third parties in connection with the operation of the Oil and Gas Properties.

Section 7.2. Limitation on Liens. Except for Permitted Liens, Company shall not, nor shall it permit any other Credit Party to, create, assume or permit to exist any Lien upon any of the properties or assets that it now owns or hereafter acquires.

Section 7.3. Limitation on Hedging Contracts and Marketing Arrangements. Company shall not, nor shall it permit any other Credit Party to, be a party to or in any manner be liable on any Hedging Contract, except for (a) the Hedging Contracts described in the Disclosure Schedule, and (b) other contracts that may be approved from time to time by Required Lenders, in their sole and absolute discretion, with an Approved Counterparty. Except for production sales contracts, processing agreements, transportation agreements and other agreements relating to the marketing of production that are either listed in Section 5.21 of the Disclosure Schedule in connection with the Oil and Gas Properties to which such contract or agreement relates or assumed after the Closing Date as part of the acquisition of the Oil and Gas Properties subject thereto, Company shall not, nor shall it permit any other Credit Party to, enter into any contractual or other arrangement for the sale, processing or transportation of production (or otherwise related to the marketing of production) that cannot be canceled by such Credit Party on 120 days' (or less) notice or that does not provide for the prices to be paid for such production to float with the market at least as often as monthly.

Section 7.4. Limitation on Mergers, Issuances of Securities; Subsidiaries.

(a) No Credit Party shall create or own any Foreign Subsidiary. Company shall not, nor shall it permit any other Subsidiary to, merge or consolidate with or into any other Person or business entity.

(b) Company shall not issue any additional Equity. Company shall not permit any of its Subsidiaries to (a) issue any additional Equity except to Company or another wholly-owned Subsidiary of Company, or (b) except as permitted in Section 7.5, allow any diminution of Company's ownership interest (direct or indirect) therein.

Section 7.5. Limitation on Dispositions of Property. Company shall not, nor shall it permit any other Grantor to, Dispose of any of its Oil and Gas Properties or other material assets or properties or any material interest therein, except for:

(a) equipment that is worthless or obsolete or worn out in the ordinary course of business, which is no longer used or useful in the conduct of its business or which is replaced by equipment of equal suitability and value;

(b) inventory (including oil and gas sold as produced and seismic data) that is sold in the ordinary course of business on ordinary trade terms;

(c) Royalties granted to Royalty Owner pursuant to Royalty Conveyances;

(d) Royalties granted to Royalty Owner pursuant to Royalty Conveyances (as such terms are defined in the First Lien Credit Agreement) pursuant to the First Lien Credit Agreement.

Company shall not, nor shall it permit any other Grantor to, abandon or consent to the abandonment of, any oil or gas well constituting Collateral so long as such well is capable (or is subject to being made capable through drilling, reworking or other operations that it would be commercially feasible to conduct) of producing oil, gas, or other Hydrocarbons or other minerals in commercial quantities (as determined without considering the effect of any Mortgage or Royalty Conveyance). Company shall not, nor shall it permit any other Grantor to, elect not to participate in a proposed operation on any Oil and Gas Properties constituting Collateral to which Proved Reserves are attributed where the effect of such election would be the forfeiture either temporarily (e.g., until a certain sum of money is received out of the forfeited interest) or permanently of any interest in the Collateral, except with the written approval of Administrative Agent. Company shall not, nor shall it permit any other Grantor to, discount, sell, pledge or assign any notes payable to it, accounts receivable or future income except under the Loan Documents.

Section 7.6. Limitation on Distributions. Company shall not, nor shall it permit any other Credit Party to, declare, make or pay any Distribution, other than the following:

(a) Distributions payable to Company or to Grantors that are Subsidiaries of Company, to the extent not in violation of the investment restrictions of Section 7.7;

(b) cash Distributions by Company to Trust to pay the actual and necessary costs of administering Trust then due and to fund Permitted Tax Distributions, provided that (i) Company is treated as a pass through entity for federal income tax purposes and (ii) no Default then exists or would result therefrom.

For purposes of this Section 7.6, a “Permitted Tax Distribution” means a cash Distribution to Trust, calculated with respect to the Fiscal Quarter most recently ended, and shall equal the product of (i) the maximum federal, state and local income tax rate applicable to corporations as in effect for the taxable year in question (the “Rate”), multiplied by (ii) the excess of the amount of Company’s estimated taxable income for such quarter over Company’s cumulative net loss for all prior taxable periods (the excess of the net losses for all prior periods over the net income for all prior periods) allocated to Trust. Distributions with respect to the fourth Fiscal Quarter shall be based on the estimated taxable income of Company for the entire taxable year and shall take into account the prior quarterly distributions for such year. To the extent that Company’s actual taxable income for any Fiscal Year exceeds the sum of the foregoing quarterly estimates for such year, then, if all conditions outlined above in this Section 7.6 remain satisfied, Company shall be entitled to make an additional Distribution to Trust calculated in the manner provided above based on the actual taxable income of Company. To the extent that Company’s actual taxable income for any Fiscal Year is less than the sum of the foregoing quarterly estimates for such year, Company shall provide notice to Trust and Trust shall promptly pay to Company, an amount equal to the excess of the Permitted Tax Distributions actually made for such year over the amount that would have been made if calculated in the manner provided above on Company’s actual taxable income.

Section 7.7. Limitation on Investments, Acquisitions and New Businesses. Company shall not, nor shall it permit any other Grantor to:

(a) conduct any operations or acquire any asset or property except in connection with or incidental to the Approved Business Plan, the Approved Plan of Development or the operation of its present properties or as otherwise permitted by Section 7.15;

(b) make any expenditure or commitment, incur any obligation, or enter into or engage in any transaction except in connection with or incidental to the Approved Business Plan, the Approved Plan of Development or the operation of its present properties in the ordinary course of business or as otherwise permitted by Section 7.15;

(c) acquire or form any new or additional Subsidiary; or

(d) make any Investments in any Person, other than (i) Permitted Investments and (ii) Investments in any Grantor, or hold any Permitted Investments in any “securities account” (as defined in the UCC).

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, Company shall not, nor shall it permit any other Credit Party to, extend credit, make advances or make loans other than loans resulting in Indebtedness permitted under Section 7.1(b).

Section 7.9. Transactions with Affiliates. Company shall not, nor shall it permit any other Credit Party to, enter into any transaction of any kind with any of its Affiliates, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to such Credit Party as would be obtainable by such Credit Party at the time in a comparable arm’s length transaction with a Person other than an Affiliate, except for executing, delivering, and performing obligations under the Loan Documents.

Section 7.10. Prohibited Contracts. Except as expressly provided for in the Loan Documents or the First Lien Loan Documents, Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction (direct or indirect) on the ability of any of its Subsidiaries to: (a) pay dividends or make other distributions to Company, (b) to redeem Equity held in it by Company, (c) to repay loans and other indebtedness owing by it to Company, or (d) to transfer any of its assets to Company. Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction (direct or indirect) on its ability to create, incur or permit to exist any Lien upon any of its property or assets. Company shall not, nor shall it permit any other Credit Party to, enter into any “take-or-pay” contract or other contract or arrangement for the purchase of goods or services that obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it; provided that the foregoing shall not apply to firm transportation contracts for gas sales in the ordinary course of business and not entered into for speculative purposes. Company shall not, nor shall it permit any other Credit Party to, amend or permit any amendment to any contract or lease that releases, qualifies, limits, makes contingent or otherwise detrimentally affects the rights and benefits of Administrative Agent or any Lender under or

acquired pursuant to any Security Documents. No ERISA Affiliate will incur any obligation to contribute to any Multiemployer Plan or any plan subject to Section 4064 of ERISA.

Section 7.11. Amendments to Organizational Documents. Company shall not, nor shall it permit any other Credit Party to, (i) enter into or permit any modification of its certificate or articles of incorporation, limited liability company agreement, partnership agreement, articles of organization, bylaws, regulations, or other organizational documents or (ii) waive any of its rights under any such document or agreement.

Section 7.12. Material Contracts. Company shall not, nor shall it permit any other Credit Party to, (i) enter into any Material Contract, (ii) cancel or terminate any Material Contract (or consent to or accept any cancellation or termination thereof), other than the termination of a Material Contract that terminates or expires by its own terms, or (iii) amend or otherwise modify any Material Contract or give any consent, waiver or approval thereunder, or waive any breach of or default under any Material Contract, in each case without the prior written consent of Required Lenders (given or withheld in their discretion). Company shall not, nor shall it permit any other Credit Party to, take any action (or omit to take any action) in connection with any Material Contract that would materially impair the value of the interests or rights of any Credit Party thereunder or that would materially impair the interest or rights of Administrative Agent and/or Lenders hereunder or under any other Loan Document.

Section 7.13. [Reserved].

Section 7.14. [Reserved].

Section 7.15. Capital Expenditures. Company shall not, nor shall it permit any other Credit Party to, make or become legally obligated to make any expenditure in respect of the purchase or other acquisition of any fixed or capital asset (excluding normal replacements and maintenance which are properly charged to current operations), except for APOD Capital Expenditures. Company shall not, nor shall it permit any other Credit Party to, spud a new well or otherwise commence drilling operations on any well located on acreage that is subject to an oil and gas lease without obtaining a drilling title opinion with respect thereto in form and substance consistent with the title opinions required to be delivered pursuant to Section 6.17.

Section 7.16. Compliance with OFAC. Company shall not, nor shall it permit any other Credit Party to, directly or indirectly, use the proceeds of the Loans hereunder, or lend, contribute or otherwise make available such proceeds, to any Affiliate or other Person or entity, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

Section 7.17. Business and Activities of Trust. Trust shall not incur any Indebtedness, own or acquire any assets (other than the Equity of Company or any assets incidental thereto) or engage in any operations or business, other than (a) activities and contractual rights incidental to the maintenance of its existence as a trust with the primary purpose of liquidating its assets in accordance with Treasury Regulation § 301.7701-4(d) and (b) performance of its obligations under the Trust Declaration, the Confirmation Order and Plan of Reorganization, including its obligations under the Loan Documents to which it is a party. Notwithstanding anything to the

contrary in this Agreement, except as permitted under the Confirmation Order and the Plan of Reorganization, Trust shall not (i) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (ii) sell or otherwise Dispose of any Equity of Parent, except as permitted by this Agreement; or (iii) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 7.18. Business and Activities of Parent. Parent shall not incur any Indebtedness, own or acquire any assets (other than the Equity of its direct Subsidiaries or any assets incidental thereto) or engage in any operations or business, other than (a) activities and contractual rights incidental to the maintenance of its corporate existence and being a holding company and (b) performance of its obligations under the Loan Documents. Notwithstanding anything to the contrary in this Agreement, Parent shall not (i) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (ii) sell or otherwise Dispose of any Equity of Company; or (3) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 7.19. General and Administrative Expenses. The Credit Parties will not permit their monthly aggregate general and administrative expenses to exceed the general and administrative expenses of the Credit Parties approved as ABP Overhead Costs for such month. The Credit Parties will not incur or otherwise become liable for the payment of management fees or management consulting fees, except as consented to by Administrative Agent in its discretion.

ARTICLE VIII

Events of Default and Remedies

Section 8.1. Events of Default. Each of the following constitutes an Event of Default under this Agreement:

(a) any Credit Party fails to pay any principal component of any Obligation when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise;

(b) any Credit Party fails to pay any interest or any other Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within two Business Days after the same becomes due;

(c) any Credit Party fails to duly observe, perform or comply with any covenant, agreement, or provision of Section 6.4, 6.8, 6.10, 6.17, 6.20 or Article VII;

(d) any Credit Party or Trust fails to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party (other than as referred to in subsections (a), (b), or (c) of this section), and such failure remains unremedied for a period of thirty (30) days after the earlier to occur of (i) notice of such failure is given by Administrative Agent to Company and (ii) such Credit Party otherwise becomes aware of such failure;

(e) any representation or warranty previously, presently or hereafter made in writing by or on behalf of any Credit Party in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at any time ceases to be, or any Credit Party declares any Loan Document not to be, valid, binding and enforceable for any reason other than its release by Administrative Agent;

(f) Trust or any Credit Party shall fail to duly observe, perform or comply with any material covenant, agreement, condition or provision of the Trust Declaration, the Confirmation Order or the Plan of Reorganization;

(g) (i) Any Credit Party fails to pay any portion, when such portion is due, of any Permitted First Lien Debt or any Permitted Refinancing thereof, or any other Indebtedness with a stated amount in excess of \$1,000,000, or (ii) any "Event of Default" as such term is defined in the First Lien Credit Agreement shall have occurred, or any Credit Party otherwise breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness described in the foregoing clause (g)(i) is issued, evidenced, governed, or secured, and any such failure, breach or default continues beyond any applicable period of grace provided therefor;

(h) (i) a Termination Event occurs which, when taken together with all other Termination Events that have occurred, has resulted or would reasonably be expected to result in, liability of any Credit Party in an aggregate amount in excess of \$1,000,000 or (ii) any other event or condition shall occur or exist with respect to a Plan or a Multiemployer Plan and such event or condition, together with all other such events or conditions and Termination Events, if any, would reasonably be expected to cause a Material Adverse Change;

(i) a Change of Control occurs;

(j) any Credit Party or Trust:

(i) suffers the entry against it of a judgment, decree or order for relief by a Governmental Authority of competent jurisdiction in an involuntary proceeding commenced under any applicable Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it that remains undismissed for a period of thirty (30) days; or

(ii) commences a voluntary case under any applicable Bankruptcy Code, as from time to time amended; or applies for or consents to the entry of an order for relief in an involuntary case under any such Law; or makes a general assignment for the benefit of creditors; or is generally not paying (or admits in writing its inability to pay) its debts as such debts become due; or takes corporate, company or other action authorizing any of the foregoing; or

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets or of any part of the Collateral in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within thirty (30) days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of \$1,000,000 (not covered by insurance subject to customary deductibles), unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

(v) suffers a writ or warrant of attachment or any similar process to be issued by any Governmental Authority against all or any substantial part of its assets or any part of the Collateral, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside;

(k) there occurs under any Hedging Contract an Early Termination Date (as defined in such Hedging Contract) or other similar event resulting from (i) any event of default under such Hedging Contract as to which a Credit Party is the Defaulting Party (as defined in such Hedging Contract) or (ii) any "Termination Event" (as defined in such Hedging Contract) or other similar event under such Hedging Contract as to which a Credit Party is an "Affected Party" (as defined in such Hedging Contract) and, in either event, the Swap Termination Value owed by such Credit Party or such Subsidiary as a result thereof is greater than \$1,000,000;

(l) any Security Document shall for any reason fail to create a valid and perfected Lien (subject to Permitted Liens) in any Collateral purported to be covered thereby, except as permitted by the terms of any Security Document, or any Security Document shall fail to remain in full force or effect or any action shall be taken by Trust or any Credit Party or any Person acting on its or their behalf to discontinue or to assert the invalidity or unenforceability of any Security Document;

(m) any action, suit or legal, equitable, arbitral or administrative proceeding shall be commenced by any beneficiary of Trust against Trust or the Trustee, including any such action concerning a sale of any Collateral or the administration of the Trust;

(n) The Plan of Reorganization shall cease to be in full force and effect or the Confirmation Order shall be revoked, vacated, modified or otherwise cease to be in full force and effect;

(o) the adoption or taking effect of Measure P or any similar Law; and

(p) Required Lenders shall deem themselves insecure, believing that the prospect of payment or performance of any of the Obligations is impaired or shall fear deterioration, removal or waste of any of the Collateral.

Upon the occurrence of an Event of Default described in subsection (j)(i), (j)(ii) or (j)(iii) of this section with respect to a Credit Party, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Company and each other Credit Party who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans hereunder

shall be automatically and permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Required Lenders, Administrative Agent shall), without notice to Company or any other Credit Party, declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Company and each other Credit Party who at any time ratifies or approves this Agreement. Remedies. If any Event of Default shall occur and be continuing, subject to the terms of the Intercreditor Agreement, Required Lenders, or Administrative Agent at the direction of Required Lenders, may protect and enforce their rights under the Loan Documents by any appropriate proceedings, including proceedings for specific performance of any covenant or agreement contained in any Loan Document. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at Law or in equity. All notice and cure periods provided in this Agreement or in any other Loan Document shall run concurrently with any notice or cure periods provided by applicable Law.

Section 8.3. Application of Proceeds After Acceleration. After the acceleration of the Maturity Date or after the Loans have otherwise automatically become immediately due and payable, any amounts received on account of the Secured Obligations shall be applied by Administrative Agent, subject to the terms of the Intercreditor Agreement, in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to Administrative Agent (including fees and time charges for attorneys who may be employees of Administrative Agent) and amounts payable under Article III) payable to Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts payable to Lenders (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them and the Lender;

Third, to payment of that portion of the Secured Obligations constituting accrued and unpaid interest on the Loans, ratably among Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Secured Obligations constituting unpaid principal of the Loans, ratably among Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Secured Obligations have been indefeasibly paid in full, to Company or as otherwise required by Law.

ARTICLE IX

Administrative Agent

Section 9.1. Appointment and Authority. Each of the Lenders hereby irrevocably appoints CLMG Corp. to act on its behalf as Administrative Agent hereunder and under the other Loan Documents and authorizes Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of Administrative Agent and the Lenders, and neither Company nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions.

Section 9.2. Exculpation, Administrative Agent's Reliance, Etc. Neither Administrative Agent nor any of its directors, officers, agents, attorneys, or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with the Loan Documents, including their negligence of any kind, except that each shall be liable for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, Administrative Agent (a) may treat the Person whose name is set forth on the Register as the holder of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof in accordance with this Agreement, signed by such Person and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any other Lender and shall not be responsible to any other Lender Party for any statements, warranties or representations made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of the Loan Documents on the part of any Credit Party or to inspect the property (including the books and records) of any Credit Party; (e) shall not be responsible to any other Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any instrument or document furnished in connection therewith; (f) may rely upon the representations and warranties of each Credit Party or Lender Party in exercising its powers hereunder; and (g) shall incur no liability under or in respect of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (including any facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper Person or Persons.

Section 9.3. Credit Decisions. Each Lender Party acknowledges that it has, independently and without reliance upon any other Lender Party, made its own analysis of the Credit Parties and the transactions contemplated hereby and its own independent decision to enter into this Agreement and the other Loan Documents. Each Lender Party also acknowledges that it will, independently and without reliance upon any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents.

Section 9.4. Indemnification. Each Lender agrees to indemnify Administrative Agent (to the extent not reimbursed by Company within ten (10) days after demand) from and against such Lender's Percentage Share of any and all liabilities, obligations, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against Administrative Agent growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise, and including any violation or noncompliance with any Environmental Laws by any Person or any liabilities or duties of any Person with respect to Hazardous Materials found in or released into the environment).

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY, OR ARE CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ADMINISTRATIVE AGENT,

provided only that no Lender shall be obligated under this section to indemnify Administrative Agent for that portion, if any, of any liabilities and costs that is proximately caused by Administrative Agent's own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. Cumulative of the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for such Lender's Percentage Share of any costs and expenses to be paid to Administrative Agent by Company under Section 10.4(a) to the extent that Administrative Agent is not timely reimbursed for such expenses by Company as provided in such section.

Section 9.5. Rights as Lender. In its capacity as a Lender, Administrative Agent shall have the same rights and obligations as any Lender and may exercise such rights as though it were not Administrative Agent. Administrative Agent may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with any Credit Party or their Affiliates, all as if it were not Administrative Agent hereunder and without any duty to account therefor to any other Lender.

Section 9.6. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Company or otherwise, obtain payment of a portion of the aggregate Obligations owed to it that, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties share all payments of Obligations as provided in Section 3.1; provided, however, that nothing

herein contained shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of Liabilities other than the Obligations. Company expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Governmental Authority order to be paid on account of the possession of such funds prior to such recovery.

Section 9.7. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds that it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds that are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender Party) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.8. Benefit of Article IX. The provisions of this Article are intended solely for the benefit of Lender Parties, and no Credit Party shall be entitled to rely on any such provision or assert any such provision in a claim or defense against any Lender.

Section 9.9. Resignation. Administrative Agent may resign at any time by giving written notice thereof to Lenders and Company. Each such notice shall set forth the date of such resignation. Upon any such resignation, Required Lenders shall have the right to appoint a successor Administrative Agent. A successor must be appointed for any retiring Administrative Agent, and such Administrative Agent's resignation shall become effective only when such successor accepts such appointment. If, within thirty days after the date of the retiring Administrative Agent's resignation, no successor Administrative Agent has been appointed and has accepted such appointment, then the retiring Administrative Agent may appoint a successor Administrative Agent. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its future duties and obligations under this Agreement and the other Loan Documents. After any retiring Administrative Agent's resignation hereunder the provisions of this Article IX shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 9.10. Notice of Default. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Potential Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent for the account of Lenders, unless Administrative Agent shall have received written notice from a Lender or Company referring to this Agreement, describing such Default or Potential Default and stating that such notice is a “notice of default.” Administrative Agent will notify Lenders of its receipt of any such notice. Administrative Agent shall take such action with respect to such Default or Potential Default as may be directed by Required Lenders in accordance with Article IX; provided, however, that unless and until Administrative Agent has received any such direction, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Potential Default as it shall deem advisable or in the best interest of Lenders.

Section 9.11. Limitation of Liability. Administrative Agent and its respective officers, directors, employees, agents, attorneys-in-fact and affiliates shall not: (a) be liable for any action taken or omitted to be taken by any of such Persons or for any error in judgment under or in connection with this Agreement, the Notes and the Security Documents, except for any such Person’s gross negligence or willful misconduct as determined in a final judgment by a court of competent jurisdiction; or (b) be responsible in any manner to any Lender or any other Person for any failure of any other party to perform its obligations under this Agreement, the Notes and the Security Documents. Notwithstanding anything in this Agreement to the contrary, in no event shall the liability of Administrative Agent or any Lender with respect to any action taken or omitted to be taken by it or for any error in judgment under or in connection with this Agreement exceed the lesser of (i) \$1,000,000 and (ii) the direct or actual damages (as opposed to Special Damages) resulting therefrom.

Section 9.12. Reliance upon Documentation. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or any telephone conversation believed by Administrative Agent to be genuine and correct and to have been signed, sent, made or spoken by the proper person or persons, and upon the advice and statements of legal counsel, independent accountants and other experts selected by Administrative Agent.

ARTICLE X

Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy that such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right, power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. Each waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on

any Credit Party shall in any case of itself entitle any Credit Party to any other or further notice or demand in similar or other circumstances. No waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents (other than the Royalty Conveyances, which are governed by the provisions thereof) shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Company, by Company, (ii) if such party is Administrative Agent, by Administrative Agent, and (iii) if such party is a Lender, by such Lender or by Administrative Agent on behalf of such Lender with the written consent of such Lender. Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment that would: (1) waive any of the conditions specified in Article IV (provided that Administrative Agent may in its discretion withdraw any request it has made under Section 4.1(e)), (2) [reserved], (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note (other than the waiver of default interest), (4) extend the Maturity Date, or postpone any date fixed for any payment of any such fees, principal or interest, (5) amend the definition herein of "Required Lenders" or otherwise change the aggregate amount of Percentage Shares that is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents, (6) release Company from its obligation to pay such Lender's Obligations or any Credit Party from its guaranty of such payment except as specifically permitted by the Loan Documents, (7) release any Collateral, except for such releases relating to sales or Dispositions of property permitted by the Loan Documents, or (8) amend this Section 10.1(a).

(b) Amendment Consideration. Neither Company nor any of its Affiliates will, directly or indirectly, request or negotiate for, or offer or pay any remuneration or grant any security as an inducement for, any proposed amendment or waiver of any of the provisions of this Agreement or any of the other Loan Documents unless each Lender is informed thereof by Company, is afforded the opportunity of considering the same, is supplied by Company and any other party hereto with sufficient information to enable it to make an informed decision with respect thereto, and is offered (and, if such offer is accepted, paid) such remuneration and granted such security on the same terms.

(c) Acknowledgments and Admissions. Each Credit Party that is a party to this Agreement hereby represents, warrants, acknowledges and admits that:

(i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party,

(ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by Administrative Agent or any Lender, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof,

(iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof,

(iv) no Lender Party has any fiduciary obligation toward it with respect to any Loan Document or the transactions contemplated thereby,

(v) the relationship pursuant to the Loan Documents between the Credit Parties, on one hand, and the Lender Parties, on the other hand, is and shall be solely that of debtor and creditor, respectively, provided that, solely for purposes of Section 10.6(c), Administrative Agent shall act as Administrative Agent of Company in maintaining the Register as set forth therein,

(vi) no partnership or joint venture exists with respect to the Loan Documents between any Credit Party and any Lender Party,

(vii) Administrative Agent is not any Credit Party's Administrative Agent, but Administrative Agent for Lenders, provided that, solely for purposes of Section 10.6(c), Administrative Agent shall act as Administrative Agent of Company in maintaining the Register as set forth therein,

(viii) Thompson & Knight LLP, Hunton & Williams L.L.P., and White & Case LLP are counsel for the Administrative Agent and are not counsel for any Credit Party,

(ix) should an Event of Default or Default occur or exist, each Lender Party will determine in its discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time,

(x) without limiting any of the foregoing, no Credit Party is relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents,

(xi) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder; and

(xii) no Lender Party has any obligation to make any Loans or advance any other amounts pursuant to this Agreement, the Notes or any other Loan Document.

(d) Joint Acknowledgments. THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 10.2. Survival of Agreements; Cumulative Nature. All of the Credit Parties' various representations, warranties, covenants and agreements in the Loan Documents shall survive the execution and delivery of this Agreement and the other Loan Documents and the

performance hereof and thereof, including the making or granting of the Loans and the delivery of the Notes and the other Loan Documents, and shall further survive until all of the Obligations are paid in full to each Lender Party and all of Lender Parties' obligations to Company are terminated. All statements and agreements contained in any certificate or other instrument delivered by any Credit Party to any Lender Party under any Loan Document shall be deemed representations and warranties by Company or agreements and covenants of Company under this Agreement. The representations, warranties, indemnities, and covenants made by the Credit Parties in the Loan Documents, and the rights, powers, and privileges granted to Lender Parties in the Loan Documents, are cumulative, and, except for expressly specified waivers and consents, no Loan Document shall be construed in the context of another to diminish, nullify, or otherwise reduce the benefit to any Lender Party of any such representation, warranty, indemnity, covenant, right, power or privilege. In particular and without limitation, no exception set out in this Agreement to any representation, warranty, indemnity, or covenant herein contained shall apply to any similar representation, warranty, indemnity, or covenant contained in any other Loan Document, and each such similar representation, warranty, indemnity, or covenant shall be subject only to those exceptions that are expressly made applicable to it by the terms of the various Loan Documents.

Section 10.3. Notices. All notices, requests, consents, demands and other communications required or permitted under any Loan Document shall be in writing, unless otherwise specifically provided in such Loan Document (provided that Administrative Agent may give telephonic notices to the other Lender Parties), and shall be deemed sufficiently given or furnished if delivered by personal delivery, by facsimile, by delivery service with proof of delivery, or by registered or certified United States mail, postage prepaid, to Company and the Credit Parties at the address of Company specified below and to each Lender Party, at the address specified below (unless changed by similar notice in writing given by the particular Person whose address is to be changed). Any such notice or communication shall be deemed to have been given (a) in the case of personal delivery or delivery service, as of the date of first attempted delivery during normal business hours at the address provided herein, (b) in the case of facsimile, upon receipt, or (c) in the case of registered or certified United States mail, three days after deposit in the mail. Electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Section 6.2, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

If to Company or any other Credit Party:

ERG Resources, L.L.C.
 [Address]
 Attention: [_____]

Telephone: [_____]

Facsimile: [_____]

If to Administrative Agent:

CLMG Corp.
7195 Dallas Parkway
Plano, Texas 75024
Attention: James Erwin
Telephone: (469) 467.5414
Facsimile: (469) 467.5550
Email: jerwin@clmgcorp.com

If to Lender:

LNV Corporation
1970 Village Center Circle, Suite 1
Las Vegas, Nevada 89134
Attention: Jacob Cherner
Telephone: (469) 467-5563
Facsimile: (972) 309-3563
Email: jcherner@csginvestments.com

with a copy to:

CLMG Corp.
7195 Dallas Parkway
Plano, Texas 75024
Attention: James Erwin
Telephone: (469) 467.5414
Facsimile: (469) 467.5550
Email: jerwin@clmgcorp.com

Section 10.4. Payment of Expenses; Indemnity.

(a) Payment of Expenses. Whether or not the transactions contemplated by this Agreement are consummated, Company will promptly (and in any event, within 30 days after any invoice or other statement or notice) pay: (i) all transfer, stamp, mortgage, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any of the other Loan Documents or any other document or transaction referred to herein or therein, (ii) all reasonable costs and expenses incurred by or on behalf of Administrative Agent and Royalty Owner (including fees and expenses of attorneys, consultants, reserve engineers, accountants, the Environmental Advisor, the Insurance Advisor, the Independent Lender Engineer, and other advisors, travel costs and miscellaneous expenses) in connection with (1) the negotiation, preparation, execution and delivery of the Loan Documents, and any and all amendments, consents, waivers or other documents or instruments relating thereto, (2) the filing, recording, refiling and re-recording of any Loan Documents and any other documents or instruments or further assurances required to be filed or recorded or refilled or re-recorded by the terms of any Loan Document, (3) any action reasonably required in the course of administration hereof, or (4) monitoring or confirming (or preparation or

negotiation of any document related to) any Credit Party's compliance with any covenants or conditions contained in this Agreement or in any Loan Document, and (iii) all costs and expenses incurred by or on behalf of any Lender Party or any Royalty Owner (including fees and expenses of attorneys, consultants, reserve engineers, accountants, the Environmental Advisor, the Insurance Advisor and other advisors, travel costs, court costs, and miscellaneous expenses) in connection with the preservation of any rights under the Loan Documents, the exercise or enforcement of any rights or remedies under the Loan Documents (including this section), or the defense of any such exercise or enforcement.

(b) Indemnity. Each Credit Party agrees to indemnify each Lender Party and each other Indemnitee, upon demand, from and against any and all liabilities, obligations, broker's fees, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called "liabilities and costs") that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Indemnitee growing out of, resulting from or in any other way associated with any of the Collateral, the Loan Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise), provided that this Section 10.4(b) shall not apply with respect to taxes other than any taxes that represent losses or damages arising from any non-tax claim. Among other things, the foregoing indemnification covers all liabilities and costs incurred by any Indemnitee related to any breach of a Loan Document by a Credit Party, any bodily injury to any Person or damage to any Person's property, or any violation or noncompliance with any Environmental Laws by any Indemnitee or any other Person or any liabilities or duties of any Indemnitee or any other Person with respect to Hazardous Materials found in or released into the environment.

THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE (IN EACH CASE WHETHER ALLEGED, ARISING OR IMPOSED IN A LEGAL PROCEEDING BROUGHT BY OR AGAINST ANY CREDIT PARTY, ANY INDEMNITEE, OR ANY OTHER PERSON),

provided only that no Indemnitee shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs that is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. If any Person (including Company or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Indemnitee, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct.

Section 10.5. Joint and Several Liability. All Obligations that are incurred by two or more Credit Parties shall be their joint and several obligations and liabilities.

Section 10.6. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither Company nor any other Credit Party may assign or otherwise transfer any of its rights or obligations under any Loan Document without the prior written consent of Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of the Loans at the time owing to it); provided that:

(i) except in the case of an assignment of the entire remaining amount of the Loans at the time owing to the assigning Lender or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption Agreement with respect to such assignment is delivered to Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption Agreement, as of the Trade Date) shall not be less than \$1,000,000, unless Administrative Agent otherwise consents;

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan assigned; and

(iii) the parties to each assignment shall execute and deliver to Administrative Agent an Assignment and Assumption Agreement, together with the Note subject to such assignment and a processing and recordation fee of \$3,500, and the Eligible Assignee, if it shall not be a Lender, shall deliver to Administrative Agent an Administrative Questionnaire in form satisfactory to Administrative Agent.

Subject to acceptance and recording thereof by Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption Agreement, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the

extent of the interest assigned by such Assignment and Assumption Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits, and subject to the requirements of, of Sections 3.2, 3.4, 3.5 and 10.4 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. Administrative Agent shall maintain a copy of each Assignment and Assumption Agreement and a register for the recordation of the names and addresses of Lenders and the Percentage Shares of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and Company and each Lender Party shall treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes. The Register shall be available for inspection by Company or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, Company or Administrative Agent, sell participations to any Person (other than Company or any of Company's Affiliates) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, and (iii) Company, Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the fifth sentence of Section 10.1(a) that affects such Participant. Subject to subsection (e) of this Section, Company agrees that each Participant shall be entitled to the benefits of, and subject to the requirements of, Sections 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 6.15 as though it were a Lender, provided such Participant agrees to be subject to Section 9.6 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of Company, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Loans or its other obligations under any Loan Document) except to the extent that such disclosure is

necessary to establish that such Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.2 and 3.5 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Company's prior written consent. No Participant shall be entitled to the benefits of Section 3.5 unless such Participant complies with Section 3.5(c) and (d) as if it were a Lender (it being understood that the documentation required under Section 3.5(c) and (d) shall be delivered to the participating Lender).

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, the Federal Home Loan Bank or other institutional lenders; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.7. Confidentiality. Each of Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to a Credit Party and its obligations, (g) with the consent of Company, or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to Administrative Agent, any Lender, or any of their respective Affiliates on a nonconfidential basis from a source other than a Credit Party.

For purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or its business, other than any such information that is available to Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such

Credit Party, provided that, in the case of information received from any Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 10.8. **Governing Law; Submission to Process.**⁶

(a) **EXCEPT TO THE EXTENT THAT THE LAW OF ANOTHER JURISDICTION IS EXPRESSLY ELECTED IN A LOAN DOCUMENT, THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

(b) **ADMINISTRATIVE AGENT AND LENDERS MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. COMPANY HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT COMPANY FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, COMPANY SHALL NOT SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SHALL EITHER OF THEM SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH ADMINISTRATIVE AGENT OR ANY LENDER ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.**

⁶ NTD: Under review by Lender Parties.

(c) COMPANY HEREBY MAKES THE FOREGOING SUBMISSIONS, AGREEMENTS, CONSENTS AND WAIVERS ON BEHALF OF AND WITH RESPECT TO EACH OF ITS SUBSIDIARIES, AND EACH GUARANTOR (BY ITS EXECUTION OF A GUARANTY OF THIS AGREEMENT) HEREBY ALSO MAKES SUCH SUBMISSIONS, AGREEMENTS, CONSENTS AND WAIVERS FOR ITSELF.

Section 10.9. Limitation on Interest. The Lender Parties, the Credit Parties and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such Persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither any Credit Party nor any present or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents that may be in conflict or apparent conflict herewith. The Lender Parties expressly disavow any intention to contract for, charge, or collect excessive unearned interest or finance charges in the event the maturity of any Obligation is accelerated. If (a) the maturity of any Obligation is accelerated for any reason, (b) any Obligation is prepaid and as a result any amounts held to constitute interest are determined to be in excess of the legal maximum, or (c) any Lender Party or any other holder of any or all of the Obligations shall otherwise collect moneys that are determined to constitute interest that would otherwise increase the interest on any or all of the Obligations to an amount in excess of that permitted to be charged by applicable Law then in effect, then all sums determined to constitute interest in excess of such legal limit shall, without penalty, be promptly applied to reduce the then outstanding principal of the related Obligations or, at such Lender Party's or other holder's option, promptly returned to Company or the other payor thereof upon such determination. In determining whether or not the interest paid or payable, under any specific circumstance, exceeds the maximum amount permitted under applicable Law, the Lender Parties and the Credit Parties (and any other payors thereof) shall to the greatest extent permitted under applicable Law (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effects thereof, and (iii) amortize, prorate, allocate, and spread the total amount of interest throughout the entire contemplated term of the instruments evidencing the Obligations in accordance with the amounts outstanding from time to time thereunder and the maximum legal rate of interest from time to time in effect under applicable Law in order to lawfully contract for, charge, or receive the maximum amount of interest permitted under applicable Law.

Section 10.10. Severability. If any term or provision of any Loan Document shall be determined to be illegal or unenforceable all other terms and provisions of the Loan Documents shall nevertheless remain effective and shall be enforced to the fullest extent permitted by applicable Law.

Section 10.11. Counterparts; Fax. This Agreement may be separately executed in any number of counterparts and by different parties hereto in separate counterparts, each of which

when so executed shall be deemed to constitute one and the same Agreement. This Agreement and the Loan Documents may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto or thereto by such means shall constitute execution and delivery hereof or thereof.

Section 10.12. Third Party Beneficiaries. Company agrees that each Indemnitee that is not a signatory to this Agreement (collectively, the “Third Party Beneficiaries”) is an express and intended third party beneficiary of the representations, agreements and promises made in this Agreement, which are made for the benefit of Lenders, Administrative Agent and each Third Party Beneficiary (which benefits are immediate and not incidental). Except as stated above in this section, there are no third party beneficiaries of this Agreement.

Section 10.13. USA PATRIOT Act Notice. Pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001), and as from time to time amended, herein called the “Patriot Act”), each Lender Party that is subject to the Patriot Act hereby notifies Company that it is required to obtain, verify and record information that identifies Company, which information includes the name and address of Company and other information that will allow such Lender Party to identify Company in accordance with the Patriot Act.

Section 10.14. Waiver of Jury Trial, Punitive Damages, etc. **COMPANY AND EACH LENDER PARTY THAT IS A PARTY TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:**

(a) **WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND ANY SUCH PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF ALL SUCH PARTIES TO A WAIVER OF ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY,**

(b) **WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY “SPECIAL DAMAGES” AS DEFINED BELOW,**

(c) **CERTIFIES THAT NO PARTY HERETO AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,**

(d) **ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION, AND**

(e) **AGREES THAT IN NO EVENT WILL ANY LENDER PARTY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH LENDER PARTY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.**

AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

COMPANY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THIS AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

Section 10.15. Amendment and Restatement. This Agreement amends and restates in its entirety the Existing Credit Agreement, and from and after the date hereof, the terms and provisions of the Existing Credit Agreement shall be superseded by the terms and provisions of this Agreement. Company hereby agrees that (i) the Existing Indebtedness, all accrued and unpaid interest thereon, and all accrued and unpaid fees under the Existing Credit Documents shall be deemed to be Indebtedness of Company outstanding under and governed by this Agreement and (ii) all Liens securing the Existing Indebtedness shall continue in full force and effect to secure the Secured Obligations.

Section 10.16. Intercreditor Agreement. Reference is made to the Intercreditor Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement"), among Company, CLMG Corp., as First Lien Administrative Agent (as defined therein), and CLMG Corp., as Second Lien Administrative Agent (as defined therein). Each Lender hereunder (a) acknowledges that it has received a copy of the Intercreditor Agreement, (b) consents to the subordination of Liens provided for in the Intercreditor Agreement, (c) agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement as if it was a signatory thereto

and (d) authorizes and instructs Administrative Agent to enter into the Intercreditor Agreement as Administrative Agent and on behalf of such Lender. The foregoing provisions are intended as an inducement to the First Lien Lenders to permit the incurrence of Obligations under this Agreement and to extend credit to Company and such lenders are intended third party beneficiaries of such provisions.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, this Agreement is executed as of the date first written above.

COMPANY:

ERG RESOURCES, L.L.C.

By: _____

Name:

Title:

ADMINISTRATIVE AGENT:

CLMG CORP.

By: _____

Name:

Title:

LENDER:

LVN CORPORATION

By: _____

Name:

Title:

SCHEDULE 1

DISCLOSURE SCHEDULE

Section 5.7

Other Liabilities and Restrictions; Material Contracts

Material Contracts:

1. First Lien Loan Documents.
2. [Describe any contract operating agreement entered into by the Credit Parties in connection with the Plan of Reorganization]
3. [list any others]

Hedging Contracts (all with BP Energy Company as counterparty):

Hedge Instrument	Date	Strike Price	Volume
Brent Cal Month Swap Option (Call)	September 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	October 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	November 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	December 2015	\$90.00 per bbl	61,600 bbl
Brent Cal Month Swap Option (Call)	January 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	February 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	March 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	April 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	May 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	June 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	July 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	August 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	September 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	October 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	November 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	December 2016	\$90.00 per bbl	53,500 bbl
Brent Cal Month Swap Option (Call)	January 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	February 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	March 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	April 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	May 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	June 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	July 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	August 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	September 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	October 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	November 2017	\$90.00 per bbl	46,000 bbl
Brent Cal Month Swap Option (Call)	December 2017	\$90.00 per bbl	46,000 bbl

Section 5.9

Litigation

[none]

Section 5.10

Labor Disputes and Acts of God

[none]

Section 5.11

ERISA Plans and Liabilities

[none]

Section 5.12

Environmental and Other Laws

[none]

Section 5.14

Names and Places of Business

The Company and the Credit Parties have had the following addresses in addition to its current address during the last 5 years:

500 Dallas, Suite 2850
Houston, Texas 77002

Three Allen Center
333 Clay Street, Suite 4400
Houston, Texas 77002

Section 5.15

Subsidiaries and Capital Structure

Subsidiary	Owner	Percentage
West Cat Canyon, L.L.C.	Company	100%
ERG Operating Company, LLC	Company	100%
ERG Interests, LLC	Company	100%

Section 5.21

Marketing Arrangements

none

Section 5.22

Right to Receive Payment for Future Production

[none]

Section 5.23

Operation of Oil and Gas Properties

[none]

Section 5.24

Ad Valorem and Production Taxes

[none]

Section 5.25

Employment Agreements

none

Section 6.19

Leases and Contracts

none

SCHEDULE 2

SECURITY SCHEDULE

1. Pledge Agreement dated as of the date hereof executed by Trust in favor of Administrative Agent.
2. Amended and Restated Guaranty dated as of the date hereof executed by the Guarantors in favor of Administrative Agent.
3. Amended and Restated Security Agreement dated as of the date hereof executed by the Grantors in favor of Administrative Agent.
4. Amended and Restated Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing and Financing Statement dated as of the date hereof from Company to Lawrence C. Adams, Trustee, for the benefit of Administrative Agent.
5. [Amended and Restated] Deposit Account Control Agreement among Company, Citibank, N.A., as depository, and Administrative Agent, as secured party.
6. UCC-1 Financing Statements related to the foregoing.

SCHEDULE 3

INSURANCE SCHEDULE(A) Insurance by Company:

Company shall procure (or cause to be procured) and maintain in full force and effect at all times on and after the Closing Date (unless otherwise specified below) and continuing throughout the term of this Agreement, insurance policies with insurance companies authorized to do business where operations are conducted (if required by law or regulation) with (i) a A.M. Best rating of “A-” or better and an financial size category of “IX” or higher, (ii) a S&P financial strength rating of “A-” or higher, or (iii) other companies acceptable to Administrative Agent, with limits and coverage provisions sufficient to satisfy Company’s material contracts, but in no event less than provisions set forth below.

- (1) Workers’ Compensation Insurance: Workers’ compensation insurance as required by applicable Laws. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (2) Employer’s Liability Insurance: Employer’s liability insurance for Company’s liability arising out of injury to or death of employees of Company in the amount of \$1,000,000 per accident. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (3) General Liability Insurance: Liability insurance on an occurrence basis against claims for Company’s liability arising out of claims for personal injury (including bodily injury and death) and property damage. Such insurance shall provide coverage for products-completed operations, liability assumed under contract, broad form property damage, personal injury, underground resources and equipment and independent contractors with a \$1,000,000 minimum limit per occurrence for combined bodily injury and property damage. The policy shall not exclude coverage for action over claims without limitations as respects the sole negligence of Additional Insured. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (4) Automobile Liability Insurance: Automobile liability insurance for Company’s liability arising out of claims for bodily injury and property damage covering all owned (if any), leased, non-owned and hired vehicles of Company, including loading and unloading, with a \$1,000,000 minimum limit per accident for combined bodily injury and property damage and containing appropriate no-fault insurance provisions wherever applicable. A maximum deductible or self-insured retention of \$25,000 per occurrence or as approved by Administrative Agent shall be allowed.
- (5) Pollution Liability Insurance: Pollution liability insurance, in an amount not less than \$1,000,000 per occurrence insuring for (i) bodily injury or property damage arising out of sudden and accidental pollution, and (ii) cleanup of pollutants on

Company's premises or which have migrated beyond Company's premises. A maximum deductible or self-insured retention of \$100,000 per occurrence or as approved by Administrative Agent shall be allowed.

- (6) Excess Liability Insurance: Excess liability insurance on an occurrence basis covering claims in excess of the underlying insurance described in the foregoing subsections (2), (3), (4) and (5), with a \$10,000,000 minimum limit per occurrence. Such excess liability shall also include coverage for bodily injury or property damage to third parties arising out of sudden and accidental off-site pollution. The policy shall drop down to cover exhausted primary policies with a self-insured retention not to exceed \$25,000.

The amounts of insurance required in the foregoing subsections (2), (3), (4), (5), and this subsection (6) may be satisfied by Company purchasing coverage in the amounts specified or by any combination of primary and excess insurance, so long as the total amount of insurance meets the requirements specified above.

- (7) Aircraft Liability Insurance: If Company uses an aircraft (fixed wing or helicopter) that is owned, operated or chartered by Company, Aircraft liability insurance for liability arising out of the operation of such aircraft. The insurance shall be provided for a combined single limit not less than \$15,000,000 each occurrence and such limit shall apply to bodily injury (including passengers) and property damage liability. Such insurance shall (i) name Administrative Agent, on behalf of the Lender Parties, as additional insured, (ii) include an insurer's waiver of subrogation in favor of the additional insureds, (iii) state that it is primary insurance as regards the additional insureds and (iv) contain a cross-liability or severability of interest clause. In the event the aircraft hull is insured such insurance shall provide for an insurer's waiver of subrogation rights in favor of Company. In the event Company charters aircraft, the foregoing insurance and evidence of insurance may be furnished by the owner of the aircraft.
- (8) Operators Excess Expense Insurance (Control of Well): Company is required to maintain this type of coverage with limits of no less than 3 times the original Dry Hole Cost of any well To Be Drilled, Re-entered or Workover and no less than \$1,000,000 limit for all other wells. Coverage shall include Well Control expenses (related to producing wells), Sudden & Accidental Pollution, Evacuation Expenses, and Replacement Cost Redrill. The policy shall provide Care, Custody and Control with a sub-limit no less than \$1,000,000 and shall include coverage for damage to drilling/workover rigs caused by "unsound locations". The policy will have a Priority of Payments Clause, and claims shall be paid in the following order; (1) Well Control, (2) Restoration and Redrill, and (3) Pollution.
- (9) Property Damage Insurance: Property damage insurance including coverage against damage or loss caused by earth movement (including but not limited to earthquake, landslide, subsidence and volcanic eruption), and windstorm. When available, Company should insure for Replacement Cost Value.

- (a) Property Insured: Company shall provide coverage for property owned, by or in the care, custody and control of Company, or in which the Company has any interest, including, but not limited to gas plants, production equipment, including coverage during any exploration and drilling activities with values equal to or greater than \$25,000 Replacement Cost Value.
- (b) Deductibles: The property damage deductibles shall not exceed \$100,000 unless previously approved by Administrative Agent.
- (c) Unrepaired Damages: The property damage policy shall not restrict claims for payment based solely on Company's election not to undertake or complete any repair or replacement for damaged property following any such damage or loss.

(B) Amendment of Requirements:

- (1) Amendment by Administrative Agent: Administrative Agent may at any time amend the requirements and approved insurance companies of this Section due to (i) new information not known by the Lender Parties on the Closing Date which poses a material risk to Company's assets or business, (ii) changed circumstances after the Closing Date which in the reasonable judgment of Administrative Agent renders such coverage materially inadequate, or (iii) inflationary factors and other changes in valuations. Promptly following the receipt of a notice from Administrative Agent, Company will from time to time make such modifications to the amounts of any insurance policy as Administrative Agent specifies in that notice to take account of the foregoing.

(C) Company Conditions and Requirements:

- (1) Loss Notification: Company shall promptly notify Administrative Agent of any single loss or event likely to give rise to a claim against an insurer for an amount in excess of \$100,000 covered or not covered by any insurance maintained pursuant to this schedule
- (2) Loss Adjustment and Settlement: A loss under the insurance policies providing property damage shall be adjusted with the insurance companies, including the filing in a timely manner of appropriate proceedings, by Company, subject to the approval of Administrative Agent if such loss is in excess of \$500,000. In addition Company may in its reasonable judgment consent to the settlement of any loss, provided that in the event that the amount of the loss exceeds \$500,000 the terms of such settlement is concurred with by Administrative Agent.
- (3) Compliance With Policy Requirements: Company shall not violate or permit to be violated any of the conditions, provisions or requirements of any insurance policy required by this Section, and Company shall perform, satisfy and comply with, or cause to be performed, satisfied and complied with, all conditions, provisions and requirements of all insurance policies.

- (4) Waiver of Subrogation: Company hereby waives any and every claim for recovery from any Lender Party for any and all loss or damage covered by any of the insurance policies to be maintained under this Agreement to the extent that such loss or damage is recovered under any such policy. If the foregoing waiver will preclude the assignment of any such claim to the extent of such recovery, by subrogation (or otherwise), to an insurance company (or other person), Company shall give written notice of the terms of such waiver to each insurance company which has issued, or which may issue in the future, any such policy of insurance (if such notice is required by the insurance policy) and shall cause each such insurance policy to be properly endorsed by Company thereof to, or to otherwise contain one or more provisions that, prevent the invalidation of the insurance coverage provided thereby by reason of such waiver.
- (5) Evidence of Insurance: Prior to the Closing Date and on an annual basis at least 10 days prior to each policy anniversary, Company shall furnish Administrative Agent with (1) certificates of insurance or binders, in a form acceptable to Administrative Agent, evidencing all of the insurance required by the provisions of this Section and (2) a schedule of the insurance policies held by or for the benefit of Company and required to be in force by the provisions of this Section. Upon request, Company will promptly furnish Administrative Agent with copies of all insurance policies, binders and cover notes or other evidence of such insurance relating to the insurance required to be maintained by Company.
- (6) Reports: Concurrently with the furnishing of the certification referred to in Section (5), Company shall furnish Administrative Agent with a report of Company's insurance broker, signed by an officer of the broker, stating that in the opinion of such broker, the insurance then carried or to be renewed is in accordance with the terms of this Section and attaching an updated copy of the schedule of insurance required by Section (5) above.

In addition Company will advise Administrative Agent in writing promptly of (1) any material changes in the coverage or limits provided under any policy required by this Section and (2) any default in the payment of any premium and of any other act or omission on the part of Company which may invalidate or render unenforceable, in whole or in part, any insurance being maintained by Company pursuant to this Section.

(D) Insurance Policy Conditions and Requirements

- (1) Policy Cancellation and Change: All policies of insurance required to be maintained pursuant to this Section shall be endorsed so that if at any time they are canceled, or their coverage is reduced (by any party including the insured) so as to affect the interests of the Lender Parties, such cancellation or reduction shall not be effective as to the Lender Parties for 60 days, except for non-payment of premium which shall be for 10 days, after receipt by Administrative Agent of written notice from such insurer of such cancellation or reduction.

- (2) Separation of Interests: All policies (other than in respect to workers compensation insurance) shall insure the interests of the Lender Parties regardless of any breach or violation by Company or any other Person of warranties, declarations or conditions contained in such policies, any action or inaction of Company's or others, or any foreclosure relating to the business or assets of Company or any change in ownership of all or any portion of such business or assets.
- (3) Waiver of Subrogation: All policies of insurance to be maintained by the provisions of this Section shall provide for waivers of subrogation in favor of the Lender Parties and their respective officers and employees.
- (4) Endorsements: All policies of insurance referred to in this Schedule shall be endorsed to name the Lender Parties and their respective officers and employees as Additional Insureds.

All policies of Liability insurance referred to in this Agreement shall be endorsed as follows:

- (i) To provide a severability of interests and cross liability clause;
 - (ii) That the insurance shall be primary and not excess to or contributing with any insurance or self-insurance maintained by Credit Parties.
- (5) Payment of Loss Proceeds: All policies of insurance required to be maintained pursuant to subsections (A) 8, and (A) 9 shall provide that the proceeds of such policies shall be payable solely to Administrative Agent.

(E) Acceptable Policy Terms and Conditions:

All policies of insurance required to be maintained pursuant to this Section shall contain terms and conditions reasonably acceptable to Administrative Agent after consultation with the Insurance Advisor.

References in this Schedule 3 to "Company" shall be deemed to include the Credit Parties.

SCHEDULE 4

LENDERS SCHEDULE⁷

Lender	Term Loan Amount	Allocation %
LNV Corporation	\$[_____]	100 %
Total	\$[_____]	100%

⁷ NTD: Term Loan Amount to include all accrued and unpaid interest (including post-petition interest) on the Existing Loans as of the Closing Date..

EXHIBIT A-1

EXISTING NOTES

1. Term Note dated January 24, 2013 payable to LNV Corporation in the original principal amount of \$230,000,000.
2. Delayed Draw Term Note dated April 4, 2013 payable to LNV Corporation in the original principal amount of \$15,000,000.
3. Delayed Draw Term Note dated May 15, 2013 payable to LNV Corporation in the original principal amount of \$20,000,000.
4. Delayed Draw Term Note dated June 25, 2013 payable to LNV Corporation in the original principal amount of \$20,000,000.
5. Delayed Draw Term Note dated August 5, 2013 payable to LNV Corporation in the original principal amount of \$20,000,000.
6. Delayed Draw Term Note dated September 27, 2013 payable to LNV Corporation in the original principal amount of \$25,000,000.
7. Delayed Draw Term Note dated November 22, 2013 payable to LNV Corporation in the original principal amount of \$20,000,000.
8. Term Note dated September 18, 2014 payable to LNV Corporation in the original principal amount of \$22,000,000.

EXHIBIT A-2

REFERENCE IS MADE TO THE INTERCREDITOR AGREEMENT DATED AS OF THE DATE HEREOF AMONG COMPANY, CLMG CORP., AS FIRST LIEN ADMINISTRATIVE AGENT, AND CLMG CORP., AS SECOND LIEN ADMINISTRATIVE AGENT. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THE INTERCREDITOR AGREEMENT AND THIS TERM NOTE, THE PROVISIONS OF THE INTERCREDITOR AGREEMENT SHALL CONTROL.

FORM OF TERM NOTE

\$ _____, 201__

FOR VALUE RECEIVED, ERG Resources, L.L.C., a Texas limited liability company (“Company”), hereby promises to pay to _____ or its registered assigns (the “Lender”), in the manner provided in the Credit Agreement referred to below, the principal sum of [_____] Dollars and [] Cents (\$_____) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by Lender to Company under the Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on or before the Maturity Date. The undersigned also promises to pay to the Lender hereof interest on the unpaid principal amount of this Term Note, in like money, at the rate set forth in, and payable in accordance with that certain Amended and Restated Credit Agreement, as amended, modified or supplemented from time to time, dated as of [_____] 2015 (the “Credit Agreement”) (capitalized terms used but not defined herein shall have the meanings ascribed to them in the Credit Agreement), among Company, CLMG Corp., as Administrative Agent, and certain Lenders identified therein.

This Term Note is one of the “Notes” issued pursuant to the Credit Agreement. Payments of interest shall be computed in accordance with the Credit Agreement, and payments of interest and principal shall be payable at the times and in the amounts provided in the Credit Agreement, until this Term Note shall be paid in full. Payments of interest are to be made in lawful money of the United States of America.

Notwithstanding the foregoing paragraph and all other provisions of this Term Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest which, under applicable Law, may be contracted for, charged, or received on this Term Note, and this Term Note is expressly made subject to the provisions of the Credit Agreement which more fully set out the limitations on how interest accrues hereon.

The Credit Agreement provides for the acceleration of the maturity of this Term Note upon the occurrence of certain events and for prepayments of this Term Note upon the terms and conditions specified therein.

This Term Note is entitled to the benefits provided in the Loan Documents to the extent provided therein.

If this Term Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Company and all endorsers, sureties and guarantors of this Term Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Company and all endorsers, sureties and guarantors of this Term Note hereby severally waive demand, presentment, notice of demand and of dishonor and nonpayment of this Term Note, protest, notice of protest, notice of intention to accelerate the maturity of this Term Note, declaration or notice of acceleration of the maturity of this Term Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Term Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

GOVERNING LAW; CHOICE OF FORUM; SERVICE OF PROCESS.⁸ THIS TERM NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

LENDER MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS TERM NOTE OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS TERM NOTE OR THE CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. COMPANY HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THIS TERM NOTE BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT COMPANY FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE

⁸ NTD: Under review by the Lender Parties.

NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, COMPANY SHALL NOT SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SHALL IT SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH LENDER ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

[Signature Page Follows]

WAIVER OF JURY TRIAL. COMPANY HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH OR RELATED TO THIS TERM NOTE, THE CREDIT AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS TERM NOTE WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF COMPANY TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY.

The Indebtedness evidenced by this Term Note is given in renewal, restatement and extension of (but not in extinguishment or novation of) Indebtedness evidenced by (a) that certain Term Note dated January 24, 2013 in the original principal amount of \$230,000,000, (b) that certain Delayed Draw Term Note dated April 4, 2013 in the original principal amount of \$15,000,000, (c) that certain Delayed Draw Term Note dated May 15, 2013 in the original principal amount of \$20,000,000, (d) that certain Delayed Draw Term Note dated June 25, 2013 in the original principal amount of \$20,000,000, (e) that certain Delayed Draw Term Note dated August 5, 2013 in the original principal amount of \$20,000,000, (f) that certain Delayed Draw Term Note dated September 27, 2013 in the original principal amount of \$25,000,000, (g) that certain Delayed Draw Term Note dated November 22, 2013 in the original principal amount of \$20,000,000, and (h) that certain Term Note dated September 18, 2014 in the original principal amount of \$22,000,000 (collectively, the "Existing Notes"). The stated principal amount of this Term Note represents the aggregate outstanding principal amount of the Existing Notes, and all accrued and unpaid interest in respect of the Existing Notes, on and as of the date hereof.

ERG RESOURCES, L.L.C.

By: _____

Name:

Title:

EXHIBIT B

[RESERVED]

EXHIBIT C

[RESERVED]

EXHIBIT D

FORM OF PREPAYMENT NOTICE

Reference is made to that certain Amended and Restated Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

Company hereby provides notice to the Lender Parties in accordance with Section 2.8 of the Credit Agreement that:

1. Company will make a prepayment on the Loans on _____, 20____.⁹
2. On such date Company will prepay \$_____ in respect of the Loans.¹⁰
3. \$_____ of such amount shall be applied to interest payable pursuant to Sections 2.5 and 3.1 of the Credit Agreement, and \$_____ of such amount shall be applied to principal pursuant to Sections 2.8 and 3.1 of the Credit Agreement.
4. This Prepayment Notice is dated _____ and is delivered on such date.

ERG RESOURCES, L.L.C.

By: _____
 Name:
 Title:

⁹ **Note:** Date of prepayment must occur on a Business Day at least 5 days (but no more than 45 days) after the date of this Prepayment Notice.

¹⁰ **Note:** If a partial prepayment of outstanding Loans is being made, the aggregate prepayment must be at least \$5,000,000.

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

Reference is made to that certain Amended and Restated Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

This Certificate is furnished pursuant to Section 6.2 of the Credit Agreement. Together herewith, Company is furnishing to Administrative Agent and each Lender Company’s *[audited/unaudited] financial statements (the “Company Financial Statements”) as at _____ (the “Reporting Date”). Company hereby represents, warrants, and acknowledges to Administrative Agent and each Lender that:

(a) The officer of Company signing this instrument is the duly elected, qualified and acting _____ of Company and as such is Company’s chief financial officer.

(b) The Company Financial Statements are accurate and complete and satisfy the requirements of the Credit Agreement.

(c) Attached hereto is a schedule of calculations showing (i) the Proved Collateral Coverage Ratio, (ii) the PDP Collateral Coverage Ratio, (iii) the Leverage Ratio, and (iv) the Interest Coverage Ratio, in each case, as of the Reporting Date.

(d) On the Reporting Date Company was, and on the date hereof Company is, in full compliance with the disclosure requirements of Section 6.4 of the Credit Agreement, and no Default or Potential Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except for [Default(s)] [Potential Default(s)] under Section(s) _____ of the Credit Agreement, which *[is/are] more fully described on a schedule attached hereto].

(e) No Credit Party has changed (i) its name, (ii) its chief executive office, (iii) the type of entity it is, or (iv) its state of organization or formation, without having given the Administrative Agent the notice required by Section 6.4 of the Credit Agreement.

The officer of Company signing this instrument hereby certifies that he or she has reviewed the Loan Documents and the Company Financial Statements, and has otherwise undertaken such inquiry as in his or her opinion is necessary to enable him or her to express an informed opinion with respect to the above representations, warranties and acknowledgments of Company and, to the best of his or her knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

[Signature Page Follows]

IN WITNESS WHEREOF, this Compliance Certificate is executed and delivered as of _____, 20__.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT F-1

FORM OF ABP CERTIFICATE

[Date]

Reference is made to that certain Amended and Restated Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for Administrative Agent and Company to certify the Approved Business Plan (or ABP) that is from time to time in effect under the Credit Agreement.

Company and Administrative Agent hereby certify that the document(s) attached hereto constitute the ABP as currently in effect under the Credit Agreement.

This ABP Certificate is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This ABP Certificate may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same ABP Certificate. This ABP Certificate may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and deliver hereof.

IN WITNESS WHEREOF, this ABP Certificate is executed and delivered as of the date first written above.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT F-2

FORM OF APOD CERTIFICATE

[Date]

Reference is made to that certain Amended and Restated Credit Agreement dated as of [____], 2015 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”) among ERG Resources, L.L.C. (“Company”), certain Lenders identified therein, and CLMG Corp., as Administrative Agent. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement.

The Credit Agreement provides for Administrative Agent and Company to certify the Approved Plan of Development (or APOD) that is from time to time in effect under the Credit Agreement.

Company and Administrative Agent hereby certify that the document(s) attached hereto constitute the APOD as currently in effect under the Credit Agreement.

This APOD Certificate is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This APOD Certificate may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same APOD Certificate. This APOD Certificate may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and deliver hereof.

IN WITNESS WHEREOF, this APOD Certificate is executed and delivered as of the date first written above.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

EXHIBIT G

[RESERVED]

EXHIBIT H

LEGAL OPINIONS

[See attached.]

EXHIBIT I-1

FORM OF GUARANTY

[See attached.]

EXHIBIT I-2

FORM OF TRUST PLEDGE AGREEMENT

[See attached.]

EXHIBIT J

FORM OF IN-HOUSE ENGINEERING REPORT

[See attached.]

EXHIBIT K

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the “Assignor”) and *[Insert name of Assignee]* (the “Assignee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by Administrative Agent as contemplated below (i) all of the Assignor’s rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the “Assigned Interest”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender]¹¹]
3. Borrower: ERG Resources, L.L.C., a Texas limited liability company (“Company”)
4. Administrative Agent: CLMG Corp., as the administrative agent under the Credit Agreement
5. Credit Agreement: Amended and Restated Credit Agreement dated as of [____], 2015 among ERG Resources, L.L.C., the Lenders from time to time party thereto, and CLMG Corp., as Administrative Agent.

¹¹ Select as applicable.

6. Assigned Interest:

Type of Interest Assigned	Aggregate Term Loan Amounts for all Lenders	Term Loan Amount Assigned ¹²	Percentage of Term Loan Amount Assigned ¹³
Term Loans	\$	\$	%

7. [Trade Date: _____¹⁴]

[Signature Page Follows]

¹² Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

¹³ Set forth, to at least nine decimals.

¹⁴ To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR:
[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE:
[NAME OF ASSIGNEE]

By: _____
Name:
Title:

[Consented to and]¹⁵ Accepted:

CLMG CORP., as Administrative Agent

By: _____
Name:
Title:

[Consented to:

ERG RESOURCES, L.L.C., as Company

By: _____
Name:
Title:]¹⁶

¹⁵ To be added only if the consent of Administrative Agent is required by the terms of the Credit Agreement.

¹⁶ To be added only if the consent of the Company is required by the terms of the Credit Agreement.

ANNEX 1 to Assignment and Assumption

ERG RESOURCES, L.L.C.

STANDARD TERMS AND CONDITIONS
FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement) as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iii) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.2 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on Administrative Agent or any other Lender, and (iv) if applicable, attached to the Assignment and Assumption are any Prescribed Forms (as defined in Section 3.5 of the Credit Agreement), duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. This Assignment and Assumption may be validly executed and delivered by facsimile or other electronic transmission, and the exchange of executed signature pages hereto by such means shall constitute execution and delivery hereof. **This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principals of conflicts of law.**

EXHIBIT L

FORM OF APPROVAL LETTER

Reference is made to the Amended and Restated Credit Agreement, dated as of [____], 2015 (as it may be amended, supplemented or otherwise modified, the “Credit Agreement”), by and among ERG Resources, L.L.C., a Texas limited liability company (“Company”), the Lenders party thereto from time to time, and CLMG Corp., as Administrative Agent. Reference is hereby made to the Credit Agreement for all purposes, and terms defined therein shall have the same meanings when used herein.

The Credit Agreement contemplates that certain Approval Letters may be given from time to time in connection therewith in order to specify certain APOD Capital Expenditures, APB LOE, ABP Overhead Costs, ABP Transportation Costs or ABP Workover Expenditures. This letter is such an Approval Letter and is given by the undersigned in order so to approve the [ABP _____] [APOD Capital Expenditures] that are specified in the schedule attached hereto, which approval shall remain in effect for the time period [(if any)] specified in such schedule. This letter [is in addition to/supersedes] all previous Approval Letters dealing with [ABP _____] [APOD Capital Expenditures].

This letter is a Loan Document, and all provisions of the Credit Agreement that apply to Loan Documents shall apply hereto.

This letter may be separately executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Approval Letter.

Please execute a counterpart of this letter in the place provided below to evidence your agreement to the foregoing and your continuing ratification of the Credit Agreement and the other Loan Documents in consideration of the approval herein contained.

Yours truly,

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

ACCEPTED AND AGREED TO
as of the date first written above

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

TK Draft 9/17/2015

AMENDED AND RESTATED GUARANTY

dated as of [_____], 2015

of

the Guarantors listed on the signature pages hereof
and that otherwise may become a party hereto

in favor of

CLMG CORP.,
as Administrative Agent

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AMENDED AND RESTATED GUARANTY

THIS AMENDED AND RESTATED GUARANTY is made as of [_____], 2015, by the Persons listed on the signature pages hereof and that may become parties hereto pursuant to Section 9.3, in favor of CLMG CORP., as administrative agent under the Credit Agreement referred to below (“Administrative Agent”) for the benefit of the Guaranteed Parties (as hereinafter defined).

RECITALS

A. ERG Resources, L.L.C., a Texas limited liability company (“Company”), CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Credit Agreement dated as of January 24, 2013, as amended by that certain First Amendment to Credit Agreement, dated as of August 14, 2014 (as so amended, the “Existing Credit Agreement”), pursuant to which the lenders party thereto made certain loans and other extensions of credit and provided certain commitments to Company.

B. In order to induce the lenders under the Existing Credit Agreement to enter into the Existing Credit Agreement, certain of the Guarantors signatory hereto entered into the Guaranty more particularly described on Schedule 2 attached hereto (as amended or supplemented to the date hereof, the “Existing Guaranty”).

C. Pursuant to the Existing Credit Agreement, Lenders have advanced Loans to Company in the aggregate principal amount of \$372,000,000, consisting of (a) \$230,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on January 24, 2013, (b) \$120,000,000 of Delayed Draw Term Loans (as defined in the Existing Credit Agreement) advanced on various borrowing dates, and (c) \$22,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on September 18, 2014 in connection with the First Amendment;

D. On April 30, 2015 (the “Petition Date”), the Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

E. The Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

F. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

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G. In connection with the Plan of Reorganization, Company, Administrative Agent and Lenders desire to amend and restate the Existing Credit Agreement on the terms set forth therein; and

H. Company, Administrative Agent and certain lenders (collectively, the “Lenders”) are parties to the Amended and Restated Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”), which Credit Agreement amends and restates the Existing Credit Agreement in its entirety.

I. In connection with the Plan of Reorganization and pursuant to the Credit Agreement, Company, Administrative Agent and the Lenders desire to amend and restate the Existing Guaranty as set forth herein.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, the Guarantors agree as follows:

ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

Section 1.2. Definitions in this Guaranty. The following terms have the following meanings:

“Administrative Agent” has the meaning specified in the preamble.

“Company” has the meaning specified in Recital A.

“Credit Agreement” has the meaning specified in Recital H.

“Existing Credit Agreement” has the meaning specified in Recital A.

“Existing Guaranty” has the meaning specified in Recital B.

“Guaranteed Documents” means each Loan Document.

“Guaranteed Obligations” means all Obligations of Company under the Loan Documents, including all amounts that constitute part of the Guaranteed Obligations and would be owed by Company to any Guaranteed Party but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Company.

“Guaranteed Parties” means Administrative Agent, the Lenders and any other Person to which Guaranteed Obligations are owing.

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“Guarantor” means each Person guarantying the Guaranteed Obligations pursuant to this Guaranty. References to “Guarantor” in this Guaranty are intended to refer to each such Person as if such Person were the only guarantor pursuant to this Guaranty, except:

- (a) that references to “any Guarantor” or “each Guarantor” or words of similar import are meant to refer to each Person that is a Guarantor,
- (b) that references to “the Guarantors” are meant to refer collectively to all Persons that are Guarantors and
- (c) as otherwise may be specifically set forth herein.

“Guaranty” means this Amended and Restated Guaranty dated as of [____], 2015, as from time to time amended, supplemented or restated.

“Lenders” has the meaning specified in Recital H.

“Net Worth” has the meaning specified in Section 7.3.

“Organizational Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable governmental authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Post-Petition Interest” has the meaning specified in Section 7.1(b).

“Subordinated Obligations” has the meaning specified in Section 7.1.

Section 1.3. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Guaranty

Section 2.1. Guaranty. The Guarantors, jointly and severally, irrevocably, absolutely and unconditionally guarantee to each Guaranteed Party the prompt and complete payment and performance when due, no matter how the same shall become due, of all Guaranteed Obligations.

Section 2.2. Obligation as a Guarantor. If Company shall for any reason fail to pay any Guaranteed Obligation, as and when such Guaranteed Obligation shall become due and

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payable, whether at its stated maturity, as a result of the exercise of any power to accelerate, or otherwise, Guarantor will, upon written demand by Administrative Agent, pay such Guaranteed Obligation in full to Administrative Agent for the benefit of the Guaranteed Party to which such Guaranteed Obligation is owed. If Company shall for any reason fail to perform promptly any Guaranteed Obligation that is not for the payment of money, Guarantor will, upon written demand by Administrative Agent, cause such Guaranteed Obligation to be performed or, if specified by Administrative Agent, provide sufficient funds, in such amount and manner as Administrative Agent shall in good faith determine, for the prompt, full and faithful performance of such Guaranteed Obligation by Administrative Agent or such other Person as Administrative Agent shall designate in writing. Without limiting the generality of the foregoing, Guarantor will pay all amounts that constitute part of the Guaranteed Obligations and would be owing but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 2.3. Fees and Expenses. The Guarantors, jointly and severally, forthwith upon demand by Administrative Agent, will pay all expenses (including fees and expenses of counsel) incurred by Administrative Agent or any other Guaranteed Party in enforcing against any Guarantor any right under this Guaranty or any other Guaranteed Document.

Section 2.4. Limitation of Liability of Certain Guarantors. Notwithstanding any other provision of this Guaranty, the liability of any Guarantor other than Parent for all obligations under this Guaranty and any other Guaranteed Document to which it is a party shall be limited to the maximum liability that can be incurred by such Guarantor without rendering this Guaranty subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state or federal Law.

ARTICLE III

Guaranty Absolute

Section 3.1. Unconditional Guaranty. (a) Guarantor will pay the Guaranteed Obligations strictly in accordance with the terms of the Guaranteed Documents, to the extent permitted by Law regardless of any Law, regulation or order now or hereafter in effect in any jurisdiction affecting any such term or any right of any Guaranteed Party with respect thereto.

(b) This is a guaranty of payment and performance and not of collection. The obligations of Guarantor under or in respect of this Guaranty and each other Guaranteed Document to which Guarantor is a party are independent of the Guaranteed Obligations or any other obligation of any other Credit Party under or in respect of the Guaranteed Documents, and a separate action or actions may be brought and prosecuted against Guarantor to enforce this Guaranty or any other Guaranteed Document to which Guarantor is a party, irrespective of whether any action is brought against Company or any other Credit Party or whether Company or any other Credit Party is joined in any such action or actions.

(c) The obligations of Guarantor under this Guaranty and each other Guaranteed Document to which Guarantor is a party shall not be affected by:

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(i) any voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshalling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement, or composition of any Credit Party;

(ii) any other proceeding involving any Credit Party or any asset of any Credit Party under any Law for the protection of debtors; or

(iii) any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceeding against, any Credit Party, any property of any Credit Party, or the estate in bankruptcy of any Credit Party in the course of or resulting from any such proceeding.

Section 3.2. No Release Based on Actions of the Guaranteed Parties. No action that Administrative Agent or any other Guaranteed Party may take or omit to take in connection with any Guaranteed Document, any Guaranteed Obligation (or any other indebtedness owing by Company to any Guaranteed Party), or any collateral security, and no course of dealing between any Guaranteed Party and Company, any Guarantor or any other Person, shall release or diminish Guarantor's Guaranteed Obligations, liabilities, agreements or duties hereunder, affect this Guaranty or any other Guaranteed Document to which Guarantor is a party, or afford Guarantor any recourse against any Guaranteed Party, regardless of whether any such action or inaction may increase any risk to or liability of any Guaranteed Party, Company or any Credit Party or increase any risk to or diminish any safeguard of any collateral security.

Section 3.3. Waivers. The liability of Guarantor under this Guaranty and each other Guaranteed Document to which Guarantor is a party shall be irrevocable, absolute and unconditional irrespective of, and Guarantor irrevocably waives, for purposes of this Guaranty and each other Guaranteed Document to which Guarantor is a party, any defense that it may now have or hereafter acquire relating to, any or all of the following, (and Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Guaranteed Documents and that the waivers set forth below and otherwise in this Guaranty are knowingly made in contemplation of such benefits):

(a) Any lack of validity or enforceability of any Guaranteed Document, any agreement or instrument relating thereto, any defense arising by reason of any disability or other defense of any other Person other than indefeasible payment in full in cash of the Guaranteed Obligations or the cessation from any cause whatsoever of the liability of any other Person.

(b) Any change in the time, manner or place of payment of, or in any other term of, any Guaranteed Obligation or any other obligation of any other Credit Party in respect of the Guaranteed Documents, or any other amendment or waiver of or any consent to departure from any Guaranteed Document, including any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Credit Party or any of its Subsidiaries or otherwise.

(c) Any taking, exchange, release or non-perfection of any collateral security, or any taking, release or amendment or waiver of, or consent to departure from any other guaranty of any Guaranteed Obligation.

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(d) Any manner of application of collateral security, or proceeds thereof, to any Guaranteed Obligation, or any manner of sale or other disposition of any collateral security securing any Guaranteed Obligation or any other obligation of any Credit Party under the Guaranteed Documents or any other asset of any Credit Party or any of its Subsidiaries, and any other obligation to marshal assets.

(e) Any right to require any Guaranteed Party to proceed against any other Person, to exhaust any collateral security for the Guaranteed Obligations, to have any other Person joined with Guarantor in any suit arising out of the Guaranteed Obligations or this Guaranty or to pursue any other remedy in any Guaranteed Party's power.

(f) Any change or restructuring of the corporate structure or termination of the existence of any Credit Party or any of its Subsidiaries.

(g) Any failure of any Guaranteed Party to disclose to any Credit Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party now or hereafter known to such Guaranteed Party (each Guarantor waiving any duty on the part of the Guaranteed Parties to disclose such information).

(h) Any failure of any other Person to execute or deliver this Guaranty, any supplement hereto or any other guaranty or agreement.

(i) Any release or reduction of the liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations or any other compromise or settlement of the Guaranteed Obligations.

(j) Promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonor and, to the extent permitted by Law, any other notice with respect to any Guaranteed Obligation and this Guaranty.

(k) Any requirement that any Guaranteed Party create or perfect any Lien or protect or insure any property subject thereto.

(l) Any right to revoke this Guaranty or any other Guaranteed Document to which Guarantor is a party.

(m) Any election of remedies by any Guaranteed Party that in any manner impairs, reduces, releases or otherwise adversely affects any collateral security or any subrogation, reimbursement, exoneration, contribution or indemnification right of Guarantor or other right of Guarantor to proceed against any other Credit Party, any other guarantor, any other Person or any collateral security.

(n) Any right of set-off or counterclaim against or in respect of the Obligations of Guarantor hereunder or any other Guaranteed Document to which Guarantor is a party.

(o) Any neglect, failure or refusal to take any action:

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- (i) for the collection or enforcement of any Guaranteed Obligation,
- (ii) to realize on any collateral security,
- (iii) to enforce any Guaranteed Document,
- (iv) to file or enforce a claim in any proceeding described in Section 3.1(c),
- (v) in connection with the administration of any Guaranteed Document or
- (vi) otherwise concerning the Guaranteed Obligations or the Guaranteed Documents,

or any delay in taking any such action.

(p) The fact that any Guarantor may have incurred directly any Guaranteed Obligation or is otherwise primarily liable therefor.

(q) Any defense to the recovery by any Guaranteed Party against Guarantor of any deficiency after a judicial or non-judicial sale and any defense or benefit that may be afforded by applicable Law (and in that connection Guarantor acknowledges that Administrative Agent may, without notice to or demand upon Guarantor and without affecting the liability of such Guarantor under this Guaranty, foreclose under any mortgage by non-judicial sale).

(r) Any statute of limitations applicable to the Guaranteed Obligations.

(s) To the extent permitted by Law, any other circumstance or any existence of or reliance on any representation by any Guaranteed Party, except for indefeasible payment in full in cash and performance in full of the Guaranteed Obligations, that might otherwise constitute a defense available to, or a discharge of, Guarantor, any Credit Party or any other guarantor or surety.

Section 3.4. Continuing Guaranty; Reinstatement. (a) This Guaranty is a continuing guaranty and shall remain in full force and effect until the latest of:

(i) the indefeasible payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty; and

(ii) the date on which all commitments of the Guaranteed Parties under the Credit Agreement shall terminate and all Loans shall be indefeasibly paid in full.

(b) This Guaranty and each other Guaranteed Document to which Guarantor is a party shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Guaranteed Obligation is rescinded or must otherwise be returned by any Guaranteed Party as a result of the insolvency, bankruptcy or reorganization of any Credit Party or otherwise, all as though such payment had not been made, and the Guarantors jointly and severally will pay such amount to the applicable Guaranteed Party on demand. Any transfer by subrogation that is made as contemplated in Section 7.2 prior to any such payment shall

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(regardless of the terms of such transfer) be automatically voided upon the making of any such payment or payments, and all rights so transferred shall thereupon automatically revert to and be vested in the Guaranteed Parties.

(c) Upon the consummation of any transaction permitted by the Credit Agreement as a result of which a Guarantor ceases to be a Subsidiary, Administrative Agent will, at such Guarantor's request and expense, execute a written release of this Guaranty with respect to such Guarantor.

ARTICLE IV

Representations and Warranties

Section 4.1. Representations and Warranties. Guarantor represents and warrants to the Guaranteed Parties as follows:

(a) Each representation and warranty made with respect to it in any other Guaranteed Document is true and correct.

(b) Guarantor is an entity of the type specified opposite its name on Schedule 1 (or Schedule 1 to any guaranty supplement delivered by it pursuant to Section 9.3) opposite its name and is organized, validly existing and in good standing under the Laws of the jurisdiction specified in such Schedule opposite its name.

(c) Guarantor has, independently and without reliance upon any Guaranteed Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty and each other Guaranteed Document to which it is a party, and Guarantor has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

ARTICLE V

Covenants

Section 5.1. Covenants. Guarantor will, so long as any Guaranteed Obligation shall remain unpaid, perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements in the Guaranteed Documents on its or their part to be performed or observed or that Company has agreed to cause Guarantor or such Subsidiaries to perform or observe.

ARTICLE VI

Remedies of the Guaranteed Parties

Section 6.1. Exercise of Remedies. Each Guaranteed Party may enforce, from time to time, in any order and at such Guaranteed Party's sole discretion, any right, power or remedy

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that such Guaranteed Party may have under the Guaranteed Documents or otherwise, including judicial foreclosure, the exercise of a right of power of sale, the taking of a deed or assignment in lieu of foreclosure, the appointment of a receiver to collect rents, issues and profits, the exercise of remedies against personal property, or the enforcement of any assignment of leases, rentals, oil or gas production or other property or right, whether real or personal, tangible or intangible.

Section 6.2. Liability for Deficiencies. Guarantor shall be liable to each Guaranteed Party for any deficiency resulting from the exercise by any Guaranteed Party of any right or remedy, even though any right that Guarantor may have against Company or others may be eliminated or diminished by the exercise of any such right or remedy.

Section 6.3. Delay not a Waiver; Remedies Cumulative. No failure on the part of Administrative Agent or any other Guaranteed Party to exercise, and no delay in exercising, any right under this Guaranty or any other Guaranteed Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Administrative Agent and the other Guaranteed Parties provided in this Guaranty and the Guaranteed Documents are cumulative and are in addition to, and not exclusive of, any other right or remedy provided by Law or otherwise.

Section 6.4. Right of Set-Off. Guarantor grants to each of the Guaranteed Parties a right of set-off on any and all money, securities and other property (and the proceeds therefrom) of Guarantor now or hereafter held or received by or in transit to any Guaranteed Party from or for the account of Guarantor, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special), credits and claims of Guarantor at any time existing against any Guaranteed Party. Upon the occurrence and during the continuance of an Event of Default, each Guaranteed Party is authorized at any time and from time to time, without notice to Guarantor, to set-off, appropriate and apply any such items against the Guaranteed Obligations and Guarantor's obligations and liabilities hereunder. Each Guaranteed Party will notify Guarantor after any such set-off and application made by it; provided that the failure to give such notice shall not affect the validity of such set-off and application.

ARTICLE VII

Subordination; Subrogation; Contribution

Section 7.1. Subordination. Guarantor subordinates all debts, liabilities and other obligations owed to Guarantor by each other Credit Party (the "Subordinated Obligations") to the Guaranteed Obligations as follows:

(a) Except during the continuance of a Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party) and to the extent permitted by the Credit Agreement, Guarantor may receive regularly scheduled payments from any other Credit Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party),

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unless Administrative Agent otherwise agrees, Guarantor shall not demand, accept or take any action to collect any payment on account of any Subordinated Obligation.

(b) In any proceeding under any bankruptcy law relating to any other Credit Party, the Guaranteed Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any bankruptcy law, whether or not constituting an allowed claim in such proceeding (“Post-Petition Interest”)) before Guarantor receives payment of any Subordinated Obligation.

(c) After the occurrence and during the continuance of any Default (including the commencement and continuation of any proceeding under any bankruptcy law relating to any other Credit Party), Guarantor shall, if Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Guaranteed Parties and deliver such payments to Administrative Agent on account of the Guaranteed Obligations (including all Post-Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty.

Section 7.2. Limited Right of Subrogation. (a) Until all Guaranteed Obligations have been indefeasibly paid in full in cash and otherwise performed in full, and all obligations under each other Guaranteed Document to which Guarantor is a party have been paid and performed in full, Guarantor shall have no right of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim against any Credit Party or any collateral security in connection with this Guaranty and the Guaranteed Obligations. Until such time, Guarantor waives any right to enforce any remedy that Guarantor may have against any other Credit Party and any right to participate in any collateral security.

(b) If any amount shall be paid to Guarantor on account of any subrogation or other right, any such other remedy, or any collateral security at any time when all of the Guaranteed Obligations and all other expenses guaranteed pursuant hereto shall not have been paid in full, such amount shall be held in trust for the benefit of the Guaranteed Parties, shall be segregated from the other funds of Guarantor and shall forthwith be paid over to Administrative Agent to be held by Administrative Agent for the benefit of the Guaranteed Parties as collateral security for, or then or at any time thereafter applied in whole or in part by Administrative Agent against, any Guaranteed Obligation, whether matured or unmatured, in such order as Administrative Agent shall elect.

(c) If Guarantor shall have paid off any Guaranteed Obligation and if all of the Guaranteed Obligations shall have been indefeasibly paid in full in cash, Administrative Agent will, at Guarantor’s expense and reasonable request, execute and deliver to Guarantor (without recourse, representation or warranty) appropriate documents necessary to evidence the transfer, without representation or warranty, by subrogation to Guarantor of an interest in the Guaranteed Obligations resulting from such payment by Guarantor; provided that:

(i) such transfer shall be subject to Section 3.4(b), and

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(ii) without the consent of Administrative Agent (which Administrative Agent may withhold in its discretion) Guarantor shall not have the right to be subrogated to any claim or right against any Credit Party that has become owned by any Guaranteed Party, whose ownership has otherwise changed in the course of enforcement of the Guaranteed Documents, or that Administrative Agent otherwise has released or wishes to release from its Guaranteed Obligations.

Section 7.3. Right of Contribution. After all Guaranteed Obligations have been indefeasibly paid in full in cash and otherwise performed in full, and all obligations under each other Guaranteed Document to which Guarantor is a party have been paid and performed in full, the Guarantors that have made payments in respect of the Guaranteed Obligations shall be entitled to contribution from the other Guarantors, to the end that all such payments upon the Guaranteed Obligations shall be shared among all such Guarantors in proportion to their respective Net Worths; provided that the contribution obligations of each such Guarantor shall be limited to the maximum amount that it can pay at such time without rendering its contribution obligations voidable under applicable Law relating to fraudulent conveyances or fraudulent transfers. “Net Worth” means, at any time and for any Guarantor:

(a) the fair value of such Guarantor’s assets (other than such right of contribution), minus

(b) the fair value of such Guarantor’s liabilities (other than its liabilities under its guaranty of the Guaranteed Obligations).

ARTICLE VIII

Indemnification

Section 8.1. General Indemnification. Without limiting any other obligation of any Guarantor or remedy of the Guaranteed Parties under this Guaranty, the Guarantors shall, jointly and severally, indemnify each Guaranteed Party and each other Indemnitee, upon demand, from and against any and all liabilities, obligations, broker’s fees, claims, losses, damages, penalties, fines, actions, judgments, suits, settlements, costs, expenses or disbursements (including reasonable fees of attorneys, accountants, experts and advisors) of any kind or nature whatsoever (in this section collectively called “liabilities and costs”) that to any extent (in whole or in part) may be imposed on, incurred by, or asserted against such Indemnitee growing out of, resulting from or in any other way associated with any of the Collateral, the Guaranteed Documents and the transactions and events (including the enforcement or defense thereof) at any time associated therewith or contemplated therein (whether arising in contract or in tort or otherwise), provided that this Section 8.1 shall not apply with respect to taxes other than any taxes that represent losses or damages arising from any non-tax claim. Among other things, the foregoing indemnification covers all liabilities and costs incurred by any Indemnitee related to any breach of a Guaranteed Document by a Credit Party, any bodily injury to any Person or damage to any Person’s property, or any violation or noncompliance with any Environmental Laws by any Indemnitee or any other Person or any liabilities or duties of any Indemnitee or any other Person with respect to Hazardous Materials found in or released into the environment.

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THE FOREGOING INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE (IN EACH CASE WHETHER ALLEGED, ARISING OR IMPOSED IN A LEGAL PROCEEDING BROUGHT BY OR AGAINST ANY CREDIT PARTY, ANY INDEMNITEE, OR ANY OTHER PERSON),

provided only that no Indemnatee shall be entitled under this section to receive indemnification for that portion, if any, of any liabilities and costs that is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment by a court of competent jurisdiction. If any Person (including Company or any of its Affiliates) ever alleges such gross negligence or willful misconduct by any Indemnatee, the indemnification provided for in this section shall nonetheless be paid upon demand, subject to later adjustment or reimbursement, until such time as a court of competent jurisdiction enters a final judgment as to the extent and effect of the alleged gross negligence or willful misconduct.

Section 8.2. Tax Indemnification. Any and all payments made by Guarantor under or in respect of this Guaranty or any other Guaranteed Document shall be made, in accordance with Section 3.5 of the Credit Agreement, free and clear of and without deduction for any present or future Taxes.

ARTICLE IX

Miscellaneous

Section 9.1. Notices. Except as may otherwise be provided in any other Guaranteed Document, any notice or communication required or permitted hereunder or any other Guaranteed Document to which Guarantor is a party shall be given in writing, sent in the manner provided in the Credit Agreement, if to Administrative Agent or to a Guarantor that is a party to the Credit Agreement, to the address set forth in the Credit Agreement and, for any other Guarantor to the address specified opposite its name on Schedule 1, or to such other address or to the attention of such other individual as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

Section 9.2. Amendments and Waivers. No amendment of this Guaranty shall be effective unless it is in writing and signed by Guarantor and Administrative Agent, and no waiver of this Guaranty or consent to any departure by Guarantor herefrom shall be effective unless it is in writing and signed by Administrative Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement. No such amendment shall bind any Guarantor not a party thereto, but no such amendment with respect to any Guarantor shall require the consent of any other Guarantor.

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Section 9.3. Additional Guarantors. Upon the execution and delivery, or authentication, by any Person of a Guaranty supplement in substantially the form of Exhibit A, such Person shall become a Guarantor hereunder, and each reference in this Guaranty and the other Guaranteed Documents to “Guarantor” shall also mean and be a reference to such Person.

Section 9.4. Severability. Any provision of this Guaranty or any other Guaranteed Document to which Guarantor is a party that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 9.5. Survival of Agreements. All representations, warranties, covenants and agreements of Guarantor herein and in each other Guaranteed Document to which Guarantor is a party shall survive the execution and delivery of this Guaranty, the execution and delivery of any other Guaranteed Document and the creation of the Guaranteed Obligations.

Section 9.6. Binding Effect and Assignment. This Guaranty and each Guaranteed Document to which Guarantor is a party shall:

- (a) be binding on Guarantor and its successors and permitted assigns, and
- (b) inure, together with all rights and remedies of Administrative Agent hereunder, to the benefit of Administrative Agent and the other Guaranteed Parties and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, Administrative Agent and any other Guaranteed Party may (except as otherwise provided in any Guaranteed Document) pledge, assign or otherwise transfer any right under any Guaranteed Document to any other Person, and such other Person shall thereupon become vested with all of the benefits in respect thereof granted herein or otherwise. No right or duty of Guarantor hereunder may be assigned or otherwise transferred without the prior written consent of Administrative Agent.

Section 9.7. Governing Law. **THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],¹ WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

Section 9.8. Final Agreement. This Guaranty and the other Guaranteed Documents represent the final agreement of the Guarantors and the Guaranteed Parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the Guarantors and the Guaranteed Parties.

Section 9.9. Counterparts; Facsimile. This Guaranty and each other Loan Document to which Guarantor is a party may be separately executed in any number of counterparts, all of which when so executed shall be deemed to constitute one and the same Guaranty. This Guaranty and each other Loan Document to which Guarantor is a party may be validly delivered

¹ NTD: Under review.

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by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

Section 9.10. Acceptance by the Guaranteed Party. By its acceptance of the benefits hereof, the Guaranteed Parties shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 9.11. Limitation on Interest. Section 10.9 of the Credit Agreement, which limits the interest for which Guarantor is obligated, is incorporated herein by reference.

Section 9.12. Jurisdiction, Etc.² **THE GUARANTEED PARTIES MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS GUARANTY OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS GUARANTY IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. EACH GUARANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GUARANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES NORTHERN DISTRICT COURT FOR THE DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GUARANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH ANY GUARANTEED PARTY ORIGINALLY COMMENCED IN THE UNITED STATES NORTHERN DISTRICT COURT FOR THE DISTRICT OF TEXAS.**

Section 9.13. Waiver of Jury Trial, Punitive Damages, etc. **EACH GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:**

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO

² NTD: Under review by Lender Parties.

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A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND ANY GUARANTEED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH GUARANTOR UNDER THIS GUARANTY TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY “SPECIAL DAMAGES” AS DEFINED BELOW,

(c) CERTIFIES THAT NO GUARANTEED PARTY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY GUARANTEED PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH GUARANTEED PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY, THE OTHER LOAN DOCUMENTS TO WHICH IT THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY GUARANTEED PARTY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH GUARANTEED PARTY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, “SPECIAL DAMAGES” INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GUARANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER

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PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

Section 9.14. Amendment and Restatement. Certain of the undersigned Guarantors are guarantors under the Existing Guaranty, or are otherwise obligated with respect to the outstanding Indebtedness and obligations under the Existing Credit Agreement, as of the date hereof. Each such undersigned Guarantor hereby acknowledges, represents, warrants and agrees that this Guaranty and the obligations hereunder amend, restate, renew and extend (and do not novate or extinguish) any and all obligations and Indebtedness of such undersigned Guarantor under the Existing Guaranty, and the terms and provisions hereof supersede the terms and provisions thereof.

Section 9.15. Intercreditor Agreement. Reference is made to the Intercreditor Agreement. Notwithstanding anything herein to the contrary, each Guarantor's obligations arising under this Guaranty and the exercise of any right or remedy by Agent and the other Guaranteed Parties hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of the Intercreditor Agreement and this Guaranty, the provisions of the Intercreditor Agreement shall control.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, Guarantor has executed and delivered this Guaranty as of the date first written above.

ERG INTERMEDIATE HOLDINGS, LLC

By: _____
Name:
Title:

WEST CAT CANYON, L.L.C.

By: _____
Name:
Title:

ERG OPERATING COMPANY, LLC

By: _____
Name:
Title:

ERG INTERESTS, LLC

By: _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST ABOVE-STATED.

CLMG CORP.,
as Administrative Agent

By: _____
Name:
Title:

SCHEDULE 1
to
AMENDED AND RESTATED GUARANTY

<u>Name of Guarantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>
ERG Intermediate Holdings, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
West Cat Canyon, L.L.C.	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
ERG Operating Company, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____
ERG Interests, LLC	Limited liability company	Texas	_____ 333 Clay Street, Suite 4400 Houston, Texas 77002 Attention: _____

SCHEDULE 2
to
AMENDED AND RESTATED GUARANTY

Existing Guaranty

Guaranty dated as of January 24, 2013 made by **ERG Operating Company, LLC, West Cat Canyon, L.L.C., ERG Holdings, LLC, and ERG Intermediate Holdings, LLC**, in favor of CLMG Corp., as Administrative Agent

EXHIBIT A
to
AMENDED AND RESTATED GUARANTY
FORM OF GUARANTY SUPPLEMENT

_____, 20__

CLMG Corp., as Administrative Agent
on behalf of the Guaranteed Parties referred to
in the Guaranty referred to below
7195 Dallas Parkway
Plano, Texas 75024
Attn: James Erwin

Ladies and Gentlemen:

The undersigned refers to:

- (i) the Amended and Restated Credit Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the “Credit Agreement”) among ERG Resources, L.L.C., a Texas limited liability company, the Lenders party thereto, and you, as administrative agent, and
- (ii) the Amended and Restated Guaranty dated as of [____], 2015 (as from time to time amended, supplemented or restated, the “Guaranty”) made by the Guarantors from time to time party thereto in your favor for the benefit of the Guaranteed Parties.

Terms defined in the Credit Agreement or the Guaranty and not otherwise defined herein are used herein as defined, and rules regarding construction, references and titles are as provided, in the Credit Agreement or the Guaranty.

SECTION 1. Guaranty. The undersigned, jointly and severally with the other Guarantors, irrevocably, absolutely, and unconditionally guarantees to each Guaranteed Party the prompt and complete payment and performance when due, and no matter how the same shall become due, of all Guaranteed Obligations and otherwise agrees to be bound in all respects by the Guaranty as if an original Guarantor party thereto, subject to any limitation set forth therein. As of the date first-above written, each reference in the Guaranty to a “Guarantor” shall also mean and be a reference to the undersigned.

SECTION 2. Information Relating to the Undersigned. The undersigned is an entity of the type specified on Schedule 1 and is duly organized, validly existing and in good standing under the Laws of the jurisdiction specified on Schedule 1 and its address for notices is specified on Schedule 1.

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SECTION 3. Representations and Warranties. The undersigned as of the date hereof makes each representation and warranty set forth in Section 4.1 of the Guaranty.

SECTION 4. Governing Law. This Guaranty Supplement shall be governed by, and construed in accordance with, the Laws of the jurisdiction whose Laws the Guaranty provides will govern it. The undersigned hereby knowingly and voluntarily agrees to the choice of law set forth the in Guaranty and to the choice of law incorporated into this Guaranty Supplement as set forth herein.

Very truly yours,

[GUARANTOR]

By _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST-ABOVE STATED.

CLMG CORP., as Administrative Agent
on behalf of the Guaranteed Parties

By _____
Name:
Title:

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REFERENCE IS MADE TO THE INTERCREDITOR AGREEMENT DATED AS OF THE DATE HEREOF AMONG COMPANY, CLMG CORP., AS FIRST LIEN ADMINISTRATIVE AGENT, AND CLMG CORP., AS SECOND LIEN ADMINISTRATIVE AGENT. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THE INTERCREDITOR AGREEMENT AND THIS AGREEMENT, THE PROVISIONS OF THE INTERCREDITOR AGREEMENT SHALL CONTROL.

AMENDED AND RESTATED SECURITY AGREEMENT

dated as of [____], 2015

of

ERG RESOURCES, L.L.C.,
each other Grantor listed on the signature pages hereof
and each other Grantor that otherwise may become a party hereto

in favor of

CLMG CORP.,
as Administrative Agent

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Exhibits

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THIS AMENDED AND RESTATED SECURITY AGREEMENT (this “Agreement”) is made as of [____], 2015, by ERG RESOURCES, L.L.C., a Texas limited liability company (“Company”), and each other Grantor listed on the signature pages hereof and that may become parties hereto pursuant to Section 7.3 in favor of CLMG CORP., as administrative agent under the Credit Agreement (the “Secured Party”), for the benefit of the Beneficiaries.

RECITALS

A. Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Credit Agreement dated as of January 24, 2013, as amended by that certain First Amendment to Credit Agreement, dated as of August 14, 2014 (as so amended, the “Existing Credit Agreement”), pursuant to which the lenders party thereto made certain loans and other extensions of credit and provided certain commitments to Company.

B. In order to induce the lenders under the Existing Credit Agreement to enter into the Existing Credit Agreement, certain of the Grantors signatory hereto entered into the Security Agreement more particularly described on Schedule 3 attached hereto (as amended or supplemented to the date hereof, the “Existing Security Agreement”).

C. Pursuant to the Existing Credit Agreement, Lenders have advanced Loans to Company in the aggregate principal amount of \$372,000,000, consisting of (a) \$230,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on January 24, 2013, (b) \$120,000,000 of Delayed Draw Term Loans (as defined in the Existing Credit Agreement) advanced on various borrowing dates, and (c) \$22,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on September 18, 2014 in connection with the First Amendment;

D. On April 30, 2015 (the “Petition Date”), the Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

E. Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

F. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

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G. In connection with the Plan of Reorganization, Company, the Secured Party, and certain lenders (collectively, the “Lenders”) have entered into that certain Amended and Restated Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”), which Credit Agreement amends and restates the Existing Credit Agreement in its entirety.

H. In connection with the Plan of Reorganization and pursuant to the Credit Agreement, Company, Secured Party and the Lenders desire to amend and restate the Existing Security Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, each Grantor agrees as follows:

ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

Section 1.2. Definitions in the UCC, etc. The following terms have the meanings specified in the UCC:

- (a) Account.
- (b) Chattel Paper.
- (c) Commercial Tort Claim.
- (d) Deposit Account.
- (e) Document.
- (f) Equipment.
- (g) General Intangible.
- (h) Instrument.
- (i) Inventory.
- (j) Investment Property.
- (k) Letter-of-Credit Right.
- (l) Payment Intangible.

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- (m) Proceeds.
- (n) Securities Account.
- (o) Security.
- (p) Transmitting Utility.
- (q) Uncertificated Security.

Other terms used in this Agreement that are defined in the UCC and not otherwise defined herein or in the Credit Agreement have the meanings specified in the UCC, unless the context otherwise requires.

Section 1.3. Definitions in this Agreement. The following terms have the following meanings:

“Beneficiaries” means the Secured Party, the Lenders and any other Person to which any Secured Obligation is owed.

“Collateral” means, with respect to any Grantor, all property described in Section 2.1 in which such Grantor has any right, title or interest. References to Collateral herein with respect to a Grantor are intended to refer to Collateral in which such Grantor has any right, title or interest and not to Collateral in which any other Grantor has any right, title or interest.

“Company” has the meaning specified in the preamble.

“Credit Agreement” has the meaning specified in Recital G.

“Existing Credit Agreement” has the meaning specified in Recital A.

“Existing Security Agreement” has the meaning specified in Recital B.

“Grantor” means each Person granting a security interest in any Collateral pursuant to this Agreement. References to “Grantor” in this Agreement are intended to refer to each such Person as if such Person were the only grantor pursuant to this Agreement, except:

- (a) that references to “any Grantor” or “each Grantor” or words of similar import are meant to refer to each Person that is a Grantor,
- (b) that references to “the Grantors” are meant to refer collectively to all Persons that are Grantors and
- (c) as otherwise may be specifically set forth herein.

“Lenders” has the meaning specified in Recital G.

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“Organizational Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable governmental authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Pledged Debt” means all Investment Property and General Intangibles constituting or pertaining to Indebtedness owing by any Person to Grantor, including all Indebtedness listed on Schedule 2, whether constituting Investment Property or General Intangibles.

“Pledged Equity” means all Investment Property and General Intangibles constituting or pertaining to Equity in Persons, including all Equity listed on Schedule 2, whether constituting Investment Property or General Intangibles.

“Secured Documents” means each Loan Document.

“Secured Obligations” has the meaning specified in the Credit Agreement.

“Secured Party” has the meaning specified in the preamble.

“Securities Act” means the Securities Act of 1933, as amended.

“UCC” means the Uniform Commercial Code in effect in the State of [New York] from time to time; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of [New York], “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

Section 1.4. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Security Interest

Section 2.1. Grant of Security Interest. As collateral security for the payment and performance of all Secured Obligations, Grantor pledges, collaterally assigns and grants to the Secured Party for the benefit of the Beneficiaries a continuing security interest in all right, title and interest of Grantor in and to all of the following property, whether now owned or existing or hereafter acquired or arising, regardless of where located and howsoever Grantor’s interests therein arise, whether by ownership, security interest, claim or otherwise:

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- (a) Accounts.
- (b) Pledged Equity.
- (c) General Intangibles, including all Payment Intangibles.
- (d) Documents.
- (e) Instruments.
- (f) Inventory.
- (g) Equipment, including, all parts thereof, all accessions thereto, and all replacements therefor.
- (h) Deposit Accounts, including all Deposit Accounts listed on Schedule 2.
- (i) Investment Property, and all dividends, distributions, return of capital, interest, distributions, value, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any Investment Property and all subscription warrants, rights or options issued thereon or with respect thereto, including Pledged Debt.
- (j) Commercial Tort Claims that are listed opposite Grantor's name on Schedule 2, as in effect on the date hereof or as hereafter modified pursuant to Section 4.2.
- (k) Letter-of-Credit Rights.
- (l) Chattel Paper.
- (m) Books and records (including customer lists, marketing information, credit files, price lists, operating records, vendor and supplier price lists, land and title records, geological and geophysical records and data, reserve engineering records and data, computer software, computer hardware, computer disks and tapes and other storage media, printouts and other materials and records) pertaining to any Collateral or to any oil, gas or mineral properties and interests.
- (n) Money and property of any kind from time to time in the possession or under the control of any Beneficiary.
- (o) Proceeds of the foregoing.

Notwithstanding the foregoing, this Section 2.1 does not grant a security interest in any property to the extent that such grant is prohibited under any agreement relating to such property and the violation of such prohibition would cause Grantor to lose its interest in or rights with respect to such property, except to the extent that Part 5 of Article 9 of the UCC would render such prohibition ineffective.

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Section 2.2. Secured Obligations Secured.

(a) The security interest created hereby in the Collateral secures the payment and performance of all Secured Obligations.

(b) Without limiting the generality of the foregoing, this Agreement secures, as to Grantor, the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

(c) Notwithstanding any other provision of this Agreement, with respect to any Grantor other than Company and Parent, the liability of such Grantor hereunder and under each other Secured Document to which it is a party shall be limited to the maximum liability that such Grantor may incur without rendering this Agreement and such other Secured Documents subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provision of any applicable state or federal law.

ARTICLE III

Representations and Warranties

Section 3.1. Representations and Warranties. Grantor represents and warrants to the Beneficiaries as follows:

(a) If Grantor is not Company, each representation and warranty made by Company with respect to Grantor in any other Secured Document is correct.

(b) Grantor has and will have at all times the right, power and authority to grant to the Secured Party as provided herein a security interest in the Collateral, free and clear of any Lien other than Permitted Liens. This Agreement creates a valid and binding security interest in favor of the Secured Party in the Collateral, securing the Secured Obligations.

(c) None of the Collateral in which Grantor has granted a security interest that constitutes goods:

(i) is covered by any Document, except for Documents that are subject hereto and have been delivered to the Secured Party;

(ii) is subject to any landlord's lien or similar Lien, except for Permitted Liens; or

(iii) is in the possession of any Person other than Grantor or the Secured Party, except for Collateral being transported in the ordinary course of business and Collateral subject to a joint operating agreement that is in the possession of the operator under the agreement.

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(d) With respect to Pledged Equity:

(i) All units and other securities constituting Pledged Equity have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any Person or of any agreement by which Grantor or any issuer of Pledged Equity is bound.

(ii) The Pledged Equity listed on Schedule 2 constitutes all equity interests owned by Grantor in its Subsidiaries. All endorsements, deliveries, notifications, and other actions required by Section 4.2(d)(i) and (ii) have been taken with respect to such Pledged Equity and all other Pledged Equity.

(iii) All documentary, stamp or other taxes or fees owing in connection with the issuance, transfer or pledge of any Pledged Equity (or rights in respect thereof) have been paid.

(iv) No restriction or condition exists with respect to the transfer, voting or capital of any Pledged Equity.

(v) Except as disclosed on Schedule 2, no Grantor or issuer of Pledged Equity has any outstanding subscription agreement, option, warrant or convertible security or any other outstanding right pursuant to which any Person would be entitled to have issued to it units of ownership interest in any issuer of Pledged Equity.

(vi) Grantor has taken, or concurrently herewith is taking, all actions necessary to perfect the Secured Party's security interest in Pledged Equity, including any registration, filing or notice that may be necessary or advisable under Articles 8 or 9 of the UCC and Uniform Commercial Code as in effect in the jurisdiction in which any issuer of such Pledged Equity is organized, and no other Person has any such registration, filing or notice in effect, except for those that are being terminated concurrently herewith.

(vii) Schedule 2 correctly and completely identifies all Pledged Equity owned by Grantor on the date hereof and accurately sets forth the percentage of each class or series of Equity issued by the issuer of such Pledged Equity that is held by Grantor.

(viii) Schedule 2 sets forth all agreements, including all governing, operating, management, voting, shareholder or similar agreements to which Grantor is a party or by which it is bound and that relate to Pledged Equity, and a correct and complete copy of each such agreement has been delivered to counsel for the Secured Party.

(ix) No issuer of Pledged Equity has made any call for capital that has not been fully paid by Grantor and each other holder of Equity of such issuer.

(x) Neither Grantor nor any other holder of Equity issued by any issuer of Pledged Equity is in default under, or has otherwise breached or violated, any agreement relating to Pledged Equity.

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(xi) None of the execution, delivery or performance of this Agreement, nor the exercise of any right or remedy of the Secured Party hereunder, will cause a default under or otherwise breach or violate any agreement in respect of Pledged Equity or otherwise adversely affect or diminish any Pledged Equity.

(xii) Grantor's rights under any agreement in respect of Pledged Equity are enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights.

(e) To the full extent requested by the Secured Party, Grantor has delivered to the Secured Party all Instruments and other writings evidencing Pledged Debt in existence on the date hereof, in suitable form for transfer by delivery with any necessary endorsement or accompanied by fully executed instruments of transfer or assignment in blank.

(f) Grantor has no Deposit Account as of the date hereof other than those listed on Schedule 2.

(g) Grantor has no Securities Account as of the date hereof.

(h) Grantor is the beneficiary of no Letter-of-Credit Right as of the date hereof other than those listed on Schedule 2.

(i) Grantor is not aware of any Commercial Tort Claim that it may have other than those listed on Schedule 2.

(j) Grantor is an entity of the type specified on Schedule 1 (or Schedule 1 to any security agreement supplement delivered by it pursuant to Section 7.3) opposite its name and is organized under the laws of the jurisdiction specified in such Schedule opposite its name, which is Grantor's location pursuant to the UCC. Grantor has not conducted business under any name except the name in which it has executed this Agreement, which is the exact name that appears in Grantor's Organizational Documents. Grantor's organizational identification number and Federal Tax ID Number (EIN), if any, is set forth in Schedule 1 (or Schedule 1 to any security agreement supplement delivered by it pursuant to Section 7.3).

(k) Grantor has good and marketable title to the Collateral, free and clear of all Liens, except for the security interest created by this Agreement and any other Permitted Liens. No effective financing statement or other registration or instrument similar in effect covering any Collateral is on file in any recording office except any that have been filed in favor of the Secured Party relating to this Agreement, those that are being terminated concurrently herewith, and any that have been filed to perfect or protect any Permitted Lien.

(l) There is no condition precedent to the effectiveness of this Agreement that has not been satisfied or waived.

(m) Grantor, if other than Company, has, independently and without reliance upon any Beneficiary and based on such documents and information as it has deemed appropriate, made its

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own credit analysis and decision to enter into this Agreement and each other Secured Document to which it is or is to be a party, and Grantor, if other than Company, has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

(n) Grantor is not a Transmitting Utility.

ARTICLE IV

Covenants

Section 4.1. General Covenants Applicable to Collateral. Grantor will, so long as this Agreement shall be in effect, perform and observe the covenants contained in the Credit Agreement that are applicable to Grantor (whether made by Grantor or made by Company with respect to Grantor) for so long as any Secured Obligation is outstanding. In addition, Grantor will, so long as this Agreement shall be in effect, perform and observe the following:

(a) Without limitation of any other covenant herein, Grantor shall not cause or permit any change in its name, identity or organizational structure, or any change to its jurisdiction of organization, unless Grantor shall have first:

(i) notified the Secured Party of such change at least 30 days prior to the effective date of such change (or such shorter notice as the Secured Party may approve),

(ii) taken all action requested by the Secured Party (under the following subsection (b) or otherwise) for the purpose of further confirming, maintaining and protecting the Secured Party's security interest in the Collateral, the perfection and priority thereof and its rights under this Agreement, and

(iii) if requested by the Secured Party, provided to the Secured Party a legal opinion to the Secured Party's satisfaction confirming that such change shall not adversely affect the Secured Party's security interest and rights under this Agreement or the perfection or priority of such security interest.

Grantor shall expressly state in any notice delivered pursuant to this subsection that such notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purposes of continuing perfection of the Secured Party's security interest in the Collateral.

(b) Grantor will, at its expense and as from time to time requested by the Secured Party, promptly execute and deliver all further instruments, agreements, filings and registrations, and take all further action, to:

(i) confirm and validate this Agreement and the Secured Party's rights and remedies hereunder;

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(ii) correct any error or omission in the description herein of the Secured Obligations or the Collateral or in any other provision hereof;

(iii) perfect, register and protect the security interest and rights created or purported to be created hereby or to maintain or upgrade in rank the priority of such security interests and rights;

(iv) enable the Secured Party to exercise and enforce its rights and remedies hereunder; or

(v) otherwise give the Secured Party the full benefits of the rights and remedies described in or granted under this Agreement.

In connection with the foregoing, Grantor will, whenever requested by the Secured Party from time to time:

(A) execute and file any financing statement, continuation statement or other filing or registration relating to the Secured Party's security interest and rights hereunder, and any amendment thereto,

(B) mark its books and records relating to any Collateral to reflect that such Collateral is subject to this Agreement and the security interests hereunder, and

(C) whenever requested by Secured Party from time to time, Grantor will obtain from any account debtor or other obligor in respect of any property included in the Collateral an acknowledgment by such account debtor or obligor that such property is subject to this Agreement.

(c) Grantor shall not take any action that would, or fail to take any action if such failure would, impair the enforceability, perfection or priority of the Secured Party's security interest in any Collateral.

Section 4.2. Covenants for Specified Types of Collateral. For so long as any Secured Obligation is outstanding:

(a) Grantor will, promptly upon request by the Secured Party, deliver to the Secured Party all Documents and Instruments included in the Collateral. All such Documents and Instruments shall be held by or on behalf of the Secured Party pursuant hereto and shall be delivered in suitable form for transfer by delivery with any necessary endorsement or shall be accompanied by fully executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Secured Party.

(b) If at any time there exists Collateral in which a security interest may be perfected by a notation on the certificate of title or similar evidence of ownership of such Collateral, Grantor will, promptly upon request by the Secured Party, deliver to the Secured Party all certificates of title and similar evidences of ownership, all applications therefor, and all other

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documents that are necessary or appropriate in order to register the Secured Party's security interest in such Collateral on such certificate of title or other evidence of ownership or in otherwise perfecting the Secured Party's security interest in such Collateral.

(c) For each Deposit Account that Grantor at any time maintains, Grantor will, pursuant to an agreement in form and substance satisfactory to the Secured Party, at the Secured Party's option, cause the depository bank that maintains such Deposit Account to agree to comply at any time with instructions from the Secured Party to such depository bank directing the disposition of funds from time to time credited to such Deposit Account, without further consent of Grantor, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Deposit Account. This subsection shall not apply to any Deposit Account (other than the Collateral Account):

(i) for which the Secured Party is the depository bank, or

(ii) that is specially and exclusively used for (A) payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Grantor's salaried employees, or (B) collection or payment of royalty or joint interest owner funds that do not belong to a Grantor.

(d) (i) If Grantor shall at any time hold or acquire any certificated Security, Grantor will forthwith promptly endorse, assign, and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignments duly executed in blank as the Secured Party may from time to time specify.

(ii) If any Security now or hereafter acquired by Grantor is an Uncertificated Security and is issued to Grantor or its nominee directly by the issuer thereof, Grantor will immediately notify the Secured Party of such issuance and, pursuant to an agreement in form and substance satisfactory to the Secured Party, cause the issuer thereof to agree to comply with instructions from the Secured Party as to such Security, without further consent of Grantor or such nominee, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Security.

(iii) Grantor shall not permit any Pledged Equity to be held by a securities intermediary or held in a Securities Account. Grantor shall not permit any Pledged Equity that is an equity interest in a limited liability company or a limited partnership and that is a General Intangible to become Investment Property.

(iv) Grantor shall not:

(A) adjust, settle, compromise, amend or modify any right in respect of any Pledged Equity or any agreement relating thereto;

(B) permit the creation of any additional equity interest in any issuer of Pledged Equity, unless immediately upon creation the same is pledged to the Secured Party pursuant hereto to the extent necessary to give the Secured Party a first-priority security interest (subject only to Permitted Liens) in such Pledged

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Equity after such creation that is in the aggregate at least the same percentage of such Pledged Equity as was subject hereto before such issue, whether such additional interest is presently vested or will vest upon the payment of money or the occurrence or nonoccurrence of any other condition; or

(C) enter into any agreement, other than the Secured Documents, creating, or otherwise permit to exist, any restriction or condition upon (including the requirement to obtain consents with respect to) the transfer or exercise of any rights in respect of any Pledged Equity, including any restriction or condition upon the transfer, voting or control of any Pledged Equity.

(e) If Grantor is at any time a beneficiary under a letter of credit now or hereafter issued in favor of Grantor, Grantor shall promptly notify the Secured Party thereof and, at the request and option of the Secured Party, pursuant to an agreement in form and substance satisfactory to the Secured Party, either:

(i) arrange for the issuer and any confirmer of such letter of credit to consent to an assignment to the Secured Party of the proceeds of any drawing under such letter of credit; or

(ii) arrange for the Secured Party to become the transferee beneficiary of such letter of credit.

(f) If Grantor shall at any time after the date hereof have a Commercial Tort Claim, Grantor shall promptly notify the Secured Party in writing of the details thereof and execute and deliver to the Secured Party a supplement to Schedule 2 listing such Commercial Tort Claim, which supplement shall take effect without further action on the part of any party hereto or beneficiary hereof and shall make such Commercial Tort Claim collateral security subject to this Agreement.

ARTICLE V

Voting and Distribution Rights in Respect Of Pledged Equity

Section 5.1. Voting Rights. Grantor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Equity or any part thereof for any purpose; provided that Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of any Pledged Equity or on the Secured Party's security interest or the value thereof; and provided further that, upon the occurrence and during the continuance of an Event of Default, upon notice from the Secured Party to Grantor, all rights to exercise or refrain from exercising the voting and other consensual rights that Grantor would otherwise be entitled to exercise shall cease and all such rights shall thereupon become vested in the Secured Party, which thereupon shall have the sole right to exercise or refrain from exercising such voting and other consensual rights.

Section 5.2. Dividend Rights While No Event of Default Exists. Grantor shall be entitled to receive and retain all dividends and other distributions paid in respect of the Pledged

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Equity if and to the extent that the payment thereof is not otherwise prohibited by the Secured Documents; provided that:

(a) all dividends, interest and other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Equity;

(b) all dividends and other distributions paid or payable in cash in respect of any Pledged Equity in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid in surplus; and

(c) all cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Equity,

shall be, and shall be forthwith delivered to the Secured Party to hold as, Collateral and shall, if received by Grantor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of Grantor and be forthwith delivered by Grantor to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

Section 5.3. Actions by Secured Party. The Secured Party will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to Section 5.1 above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to Section 5.2 above.

Section 5.4. Rights While an Event of Default Exists. Upon the occurrence and during the continuance of an Event of Default:

(a) All rights of Grantor to receive the dividends and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 5.2 shall automatically cease, and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Equity such dividends and other distributions.

(b) All dividends and other distributions that are received by Grantor contrary to subsection (a) above shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of Grantor, and shall be forthwith paid over to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

ARTICLE VI

Remedies, Powers and Authorizations

Section 6.1. Normal Provisions Concerning the Collateral.

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(a) Grantor irrevocably authorizes the Secured Party at any time and from time to time to file, without the signature of Grantor, in any jurisdiction any amendments to existing financing statements and any initial financing statements and amendments thereto that:

(i) indicate the Collateral as being:

(A) “all assets of Grantor and all proceeds thereof, and all rights and privileges with respect thereto” or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC or the granting clause of this Agreement, or

(B) of an equal or lesser scope or with greater detail;

(ii) contain any other information required for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Grantor is an organization, the type of organization and any organization identification number issued to Grantor; and

(iii) properly effectuate the transactions described in the Secured Documents, as determined by the Secured Party in its discretion.

Grantor will furnish any such information to the Secured Party promptly upon request. A carbon, photographic or other reproduction of this Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction by the Secured Party. Grantor ratifies and approves all financing statements heretofore filed by or on behalf of the Secured Party in any jurisdiction in connection with the transactions contemplated hereby.

(b) Grantor appoints the Secured Party as Grantor’s attorney in fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in the Secured Party’s discretion, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement including any action or instrument:

(i) to obtain and adjust any insurance required to be paid to the Secured Party pursuant hereto;

(ii) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral;

(iii) to receive, indorse and collect any drafts or other Instruments or Documents;

(iv) to enforce any obligations included in the Collateral; and

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(v) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of Grantor or the Secured Party with respect to any Collateral.

Such power of attorney and proxy are coupled with an interest, are irrevocable, and are to be used by the Secured Party for the sole benefit of the Beneficiaries.

(c) If Grantor fails to perform any agreement or obligation contained herein, the Secured Party may, but shall have no obligation to, itself perform, or cause performance of, such agreement or obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by Grantor under Section 6.6.

(d) If any Collateral in which Grantor has granted a security interest hereunder is at any time in the possession or control of any warehouseman, bailee or any of Grantor's agents, Grantor shall, upon the request of the Secured Party, notify such warehouseman, bailee or agent of the Secured Party's rights hereunder and instruct such Person to hold all such Collateral for the Secured Party's account subject to the Secured Party's instructions. No such request by the Secured Party shall be deemed a waiver of any provision hereof that was otherwise violated by such Collateral being held by such Person prior to such instructions by Grantor.

(e) The Secured Party shall have the right, at any time in its discretion and without notice to Grantor, to transfer to or to register in the name of the Secured Party or any of its nominees any Investment Property or other Pledged Equity, subject only to the voting rights retained pursuant to Section 5.1.

(f) Anything in this Agreement to the contrary notwithstanding:

(i) Grantor shall remain liable to perform all duties and obligations under the agreements included in the Collateral to the same extent as if this Agreement had not been executed.

(ii) The exercise by the Secured Party of any right hereunder shall not release Grantor from any duty or obligation under any agreement included in the Collateral.

(iii) No Beneficiary shall have any obligation or liability under the agreements included in the Collateral by reason of this Agreement or any other Secured Document, nor shall any Beneficiary be obligated to perform any duty or obligation of Grantor thereunder or take any action to collect or enforce any claim for payment assigned hereunder.

Section 6.2. Event of Default Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party may from time to time in its discretion, without limitation and without notice except as expressly provided below:

(a) Exercise in respect of the Collateral, in addition to any other right and remedy provided for herein, under the other Secured Documents, or otherwise available to it, all the

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rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and any other applicable Law.

(b) Require Grantor to, and Grantor will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it (together with all books, records and information of Grantor relating thereto) available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties.

(c) Prior to the disposition of any Collateral:

(i) to the extent permitted by applicable Law, enter, with or without process of Law and without breach of the peace, any premises where any Collateral is or may be located, and without charge or liability to the Secured Party seize and remove such Collateral from such premises;

(ii) have access to and use Grantor's books, records, and information relating to the Collateral; and

(iii) store or transfer any Collateral without charge in or by means of any storage or transportation facility owned or leased by Grantor, process, repair or recondition any Collateral or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and, in connection with such preparation and disposition, use without charge any copyright, trademark, trade name, patent or technical process used by Grantor.

(d) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure.

(e) Dispose of, at its office, on the premises of Grantor or elsewhere, any Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (but the sale of any Collateral shall not exhaust the Secured Party's power of sale, and sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Secured Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any Collateral.

(f) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any public sale.

(g) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any private sale if any Collateral is of a type customarily sold in a recognized market or is of a type that is the subject of widely distributed standard price quotations.

(h) Apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Grantor consents to any such appointment.

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(i) Comply with any applicable state or federal Law requirement in connection with a disposition of Collateral and such compliance shall not be considered to adversely affect the commercial reasonableness of any sale of Collateral.

(j) Sell Collateral without giving any warranty, with respect to title or any other matter, and for cash, on credit or for non-cash consideration as the Secured Party determines is appropriate.

(k) Notify (or require Grantor to notify) any and all obligors under any Account, Payment Intangible, Instrument or other right to payment included in the Collateral of the assignment thereof to the Secured Party under this Agreement and to direct such obligors to make payment of all amounts due or to become due to Grantor thereunder directly to the Secured Party and, upon such notification and at the expense of Grantor and to the extent permitted by law, to enforce collection of any such Account, Payment Intangible, Instrument or other right to payment and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor could have done. After Grantor receives notice that the Secured Party has given (or after the Secured Party has required Grantor to give) any notice referred to above in this subsection:

(i) all amounts and proceeds (including instruments and writings) received by Grantor in respect of any Account, Payment Intangible, Instrument or other right to payment included in the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary indorsement) to be, at the Secured Party's discretion, either:

(A) held as cash collateral and released to Grantor upon the remedy of all Defaults and Events of Default, or

(B) while an Event of Default is continuing, applied as specified in Section 6.3, and

(ii) Grantor shall not adjust, settle or compromise the amount or payment of any Account, Payment Intangible, Instrument, or other right to payment included in the Collateral or release wholly or partly any account debtor or obligor thereon or allow any credit or discount thereon.

(l) Give any entitlement order, instruction or direction in respect of any of Investment Property to any issuer, securities intermediary, or commodity intermediary, and to withhold its consent to the exercise of any withdrawal rights or dealing rights by Grantor.

(m) Apply sums in the Collateral Account to the reduction of outstanding Secured Obligations in accordance with Section 2.6(a) of the Credit Agreement.

(n) Give an instruction to any depository bank that maintains a Deposit Account for Grantor with respect to the disposition of funds credited thereto or restrict the ability of Grantor to withdraw funds credited thereto, except as authorized in any other Secured Document.

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To the extent notice of sale shall be required by Law with respect to Collateral, at least 10-days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification; provided that, if the Secured Party fails in any respect to give such notice, its liability for such failure shall be limited to the liability (if any) imposed on it by law under the UCC. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

Section 6.3. Application of Proceeds. If an Event of Default shall have occurred and be continuing, any cash held by or on behalf of the Secured Party and all cash proceeds received by or on behalf of the Secured Party in respect of any sale of, collection from, or other realization upon any Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied in whole or in part by the Secured Party for the benefit of the Beneficiaries against, the Secured Obligations as set forth in Section 8.3 of the Credit Agreement.

Section 6.4. Deficiency. If the proceeds of any sale, collection or realization of or upon the Collateral of the Grantors by the Secured Party are insufficient to pay all Secured Obligations and all other amounts to which the Secured Party is entitled, Grantor shall be liable for the deficiency, together with interest thereon as provided in the Secured Documents or (if no interest is so provided) at such other rate as shall be fixed by applicable Law, together with the costs of collection and the reasonable fees of any attorneys employed by the Secured Party and/or the other Beneficiaries to collect such deficiency. Collateral may be sold at a loss to Grantor, and the Secured Party shall have no liability or responsibility to Grantor for such loss. Grantor acknowledges that a private sale may result in less proceeds than a public sale.

Section 6.5. Private Sales of Investment Property and Other Pledged Equity. The Beneficiaries may deem it impracticable to effect a public sale of any Investment Property or other Pledged Equity and may determine to make one or more private sales of such Investment Property or other Pledged Equity to a restricted group of purchasers that will be obligated to agree, among other things, to acquire the same for their own account, for investment and not with a view to the distribution or resale thereof. Any such private sale may be at a price and on other terms less favorable to the seller than the price and other terms that might have been obtained at a public sale. Any such private sale nevertheless shall be deemed to have been made in a commercially reasonable manner, and neither the Secured Party nor any other Beneficiary shall have any obligation to delay sale of any such Investment Property or other Pledged Equity for the period of time necessary to permit their registration for public sale under the Securities Act. Any offer to sell any such Collateral that has been:

(i) publicly advertised on a *bona-fide* basis in a newspaper or other publication of general circulation in the financial community of [Dallas], Texas (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or

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(ii) made privately in the manner described above to not less than 15 *bona-fide* offerees,

shall be deemed to involve a “public disposition” under Section 9-610(c) of the UCC, notwithstanding that such sale may not constitute a “public offering” under the Securities Act, and any Beneficiary may bid for such Collateral.

Section 6.6. Expenses. In addition to, but not in qualification or limitation of, any similar obligations under other Secured Documents, Grantors jointly and severally will upon demand pay to the Secured Party the amount of all costs and expenses, including the fees and disbursements of the Secured Party’s counsel and of any experts and agents, that the Secured Party may incur in connection with:

- (i) the transactions that give rise to this Agreement;
- (ii) the preparation of this Agreement and the perfection and preservation of this security interest created under this Agreement;
- (iii) the administration of this Agreement;
- (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral;
- (v) the exercise or enforcement of any right of the Secured Party hereunder; or
- (vi) the failure by any Grantor to perform or observe any of the provisions hereof.

Section 6.7. Non-Judicial Remedies. In granting to the Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, to the extent permitted by applicable Law, Grantor waives, renounces and knowingly relinquishes any legal right that might otherwise require the Secured Party to enforce its rights by judicial process and confirms that such remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm’s length. The Secured Party may, however, in its discretion, resort to judicial process.

Section 6.8. Limitation on Duty of the Secured Party in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Secured Party shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Secured Party shall be deemed to have exercised reasonable care in the custody of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property, and the Secured Party shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Secured Party in good faith.

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Section 6.9. Appointment of Other Agents. At any time, in order to comply with any legal requirement in any jurisdiction, the Secured Party may appoint any bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Secured Party, or to act as separate agent or agents on behalf of the Secured Party, with such power and authority as may be necessary for the effective operation of the provisions hereof and may be specified in the instrument of appointment.

ARTICLE VII

Miscellaneous

Section 7.1. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent in the manner provided in the Credit Agreement, if to the Secured Party or to a Grantor that is a party to the Credit Agreement, to the address set forth in the Credit Agreement and, for any other Grantor, to the address specified opposite its name on Schedule 1, or to such other address or to the attention of such other individual as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

Section 7.2. Amendments and Waivers. Except as provided in Section 4.2(f) or 7.3, no amendment of this Agreement shall be effective unless it is in writing and signed by Grantor and the Secured Party, and no waiver of this Agreement or consent to any departure by Grantor herefrom shall be effective unless it is in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement. No such amendment shall bind any Grantor not a party thereto, but no such amendment with respect to any Grantor shall require the consent of any other Grantor.

Section 7.3. Additional Grantors; Additional Collateral. Upon the execution and delivery, or authentication, by any Person of a security agreement supplement in substantially the form of Exhibit A:

(a) such Person shall become a Grantor hereunder, each reference in this Agreement and the other Secured Documents to "Grantor" shall also mean and be a reference to such Person, and each reference in this Agreement and the other Secured Documents to "Collateral" shall also mean and be a reference to the Collateral of such Person, and

(b) Schedule 2 attached to such security agreement supplement shall be incorporated into and become a part of and supplement Schedule 2 hereto, and the Secured Party may attach such supplemental schedule to such Schedule; and each reference to such Schedule shall mean and be a reference to such Schedule as supplemented pursuant to such supplement.

Section 7.4. Preservation of Rights. No failure on the part of the Secured Party or any other Beneficiary to exercise, and no delay in exercising, any right hereunder or under any other Secured Document shall operate as a waiver thereof; nor shall any single or partial exercise of

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any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Secured Party provided herein and in the other Secured Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by Law or otherwise.

Section 7.5. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 7.6. Survival. Each representation and warranty, covenant and other obligation of Grantor herein shall survive the execution and delivery of this Agreement, the execution and delivery of the other Secured Documents and the creation of the Secured Obligations.

Section 7.7. Binding Effect and Assignment. This Agreement shall:

- (a) be binding on Grantor and its successors, and
- (b) inure, together with all rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and the other Beneficiaries and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, the Secured Party and any other Beneficiary may (except as otherwise provided in any Secured Document) pledge, assign or otherwise transfer any right under any Secured Document to any other Person, and such other Person shall thereupon become vested with all benefits in respect thereof granted herein or otherwise. No right or duty of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Secured Party.

Section 7.8. Release of Collateral; Termination.

(a) Upon any sale, lease, transfer or other disposition of any Collateral of Grantor in accordance with the Secured Documents (other than sales of Inventory in the ordinary course of business), the Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence the release of such Collateral from the assignment and security interest granted hereby; provided that:

(i) at the time of such request and such release no Default shall have occurred and be continuing;

(ii) Grantor shall have delivered to the Secured Party, at least 10 Business Days prior to the date of the proposed release (or by such lesser notice as the Secured Party may approve), a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Secured Party and a certificate of Grantor to the effect that the

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transaction is in compliance with the Secured Documents and such other matters as the Secured Party may request; and

(iii) if any Secured Document provides for any application of the proceeds of any such sale, lease, transfer or other disposition, or any payment to be made, in connection therewith, such proceeds shall have been applied or payment made as provided therein.

(b) Upon, and only upon the indefeasible payment and satisfaction in full in cash of the Secured Obligations and the termination or expiration of the Credit Agreement, this Agreement and the security interest created hereby shall terminate, all rights in the Collateral shall revert to Grantors and the Secured Party, at a Grantor's request and at its expense, will:

(i) return to Grantor such of Grantor's Collateral in the Secured Party's possession as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and

(ii) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

Notwithstanding the foregoing, Sections 6.6 and 7.9 shall survive the termination of this Agreement.

No Grantor is authorized to file any financing statement or amendment or termination statement with respect to any financing statement originally filed in connection with this Agreement without the prior written consent of the Secured Party, subject to Grantors' rights under Sections 9-509(d)(2) and 9-518 of the UCC.

Section 7.9. Limitation on Interest. Section 10.9 of the Credit Agreement, which limits the interest for which Grantor is obligated, is incorporated herein by reference.

Section 7.10. **Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],¹ WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

Section 7.11. Final Agreement. This Agreement and the other Secured Documents represent the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the parties hereto.

Section 7.12. Counterparts; Facsimile. This Agreement may be separately executed in any number of counterparts, all of that when so executed shall be deemed to constitute one and the same Agreement. This Agreement may be validly delivered by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

¹ NTD: Under review by Lender Parties.

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Section 7.13. Acceptance by the Secured Party. By their acceptance of the benefits hereof, the Secured Party and the Beneficiaries shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 7.14. Jurisdiction, Etc.² **THE SECURED PARTY MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT OR OUT OF ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. GRANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GRANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GRANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH SECURED PARTY ORIGINALLY COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.**

Section 7.15. Waiver of Jury Trial, Punitive Damages, etc.. **EACH GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:**

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER

² NTD: Under review by Lender Parties.

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MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND SECURED PARTY AND/OR ANY BENEFICIARY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH GRANTOR UNDER THIS AGREEMENT TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY “SPECIAL DAMAGES” AS DEFINED BELOW,

(c) CERTIFIES THAT NO BENEFICIARY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY BENEFICIARY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH BENEFICIARY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER SECURED DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY BENEFICIARY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH BENEFICIARY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, “SPECIAL DAMAGES” INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY

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LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

Section 7.16. Amendment and Restatement. This Agreement amends, renews and restates the Existing Security Agreement, and all of the terms and provisions hereof shall supersede the terms and provisions thereof. This Agreement renews, extends and continues without interruption all Liens existing by the Existing Security Agreement, although the terms and provisions and conditions of such Liens shall hereafter be governed in all respects by this Agreement.

Section 7.17. Intercreditor Agreement.

(a) Reference is made to the Intercreditor Agreement. Notwithstanding anything herein to the contrary, the liens and security interests granted to the Administrative Agent, for the benefit of the Beneficiaries, pursuant to this Agreement and the exercise of any right or remedy by the Secured Party and the other Beneficiaries hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of the Intercreditor Agreement and this Agreement, the provisions of the Intercreditor Agreement shall control.

(b) Notwithstanding anything in this Agreement to the contrary, prior to the Discharge of First Lien Obligations (as defined in the Intercreditor Agreement) (x) to the extent any Grantor is required hereunder to deliver Collateral to the Secured Party for purposes of possession and control and is unable to do so as a result of having previously delivered such Collateral to the First Lien Administrative Agent in accordance with the terms of the First Lien Loan Documents and the Intercreditor Agreement, such Grantor's obligations hereunder with respect to such delivery shall be deemed satisfied by the delivery to the First Lien Administrative Agent, acting as a gratuitous bailee of the Secured Party, and (y) for purposes of any representation in this Agreement, delivery of Collateral, or the granting of control over Collateral, to the First Lien Administrative Agent shall be deemed to include delivery of the Collateral, or the granting of control over Collateral, to the Secured Party.

[The remainder of this page is intentionally left blank.]

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IN WITNESS WHEREOF, Grantor has executed and delivered this Agreement as of the date first-above written.

ERG RESOURCES, L.L.C.

By: _____
Name:
Title:

ERG INTERMEDIATE HOLDINGS, LLC

By: _____
Name:
Title:

WEST CAT CANYON, L.L.C.

By: _____
Name:
Title:

ERG OPERATING COMPANY, LLC

By: _____
Name:
Title:

ERG INTERESTS, LLC

By: _____
Name:
Title:

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ACCEPTED AND AGREED AS OF THE DATE
FIRST ABOVE-STATED.

CLMG CORP.,
as Secured Party

By: _____

Name:

Title:

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SCHEDULE 1³
to
AMENDED AND RESTATED SECURITY AGREEMENT

Address for Notices and Jurisdiction of Organization

<u>Name of Grantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>	<u>Organizational ID; Tax ID Number</u>
ERG Resources, L.L.C.	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 705703522 Tax ID: 76-0620408
ERG Intermediate Holdings, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801681071 Tax ID: 46-1372521
West Cat Canyon, L.L.C.	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801574390 Tax ID: 45-5197377
ERG Operating Company, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801196907 Tax ID: 27-2448385
ERG Interests, LLC	Limited liability company	Texas	[_____] [_____] [_____] Attention: [_____]	Organizational ID: 801717538 Tax ID: 46-1802081

³ All Schedules to be updated.

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SCHEDULE 2⁴
to
AMENDED AND RESTATED SECURITY AGREEMENT

Scheduled Collateral

AGREEMENTS

<u>Entity</u>	<u>Agreements</u>
ERG Resources, L.L.C.	Third Amended and Restated Regulations of ERG Resources, L.L.C. (formerly Energy Reserves Group, L.L.C.), dated [____], 2015
ERG Intermediate Holdings, LLC	Amended and Restated Company Agreement of ERG Intermediate Holdings, LLC, dated [____], 2015
West Cat Canyon, L.L.C.	Amended and Restated Company Agreement of West Cat Canyon, L.L.C., dated [____], 2015
ERG Operating Company, LLC	Amended and Restated Company Agreement of ERG Operating Company, LLC, dated [____], 2015
ERG Interests, LLC	Amended and Restated Company Agreement of ERG Interests, LLC, dated [____], 2015

PLEDGED DEBT

None.

[Schedule 2 continues on following page]

⁴ All Schedules to be updated.

*TK Draft 9/17/2015*DEPOSIT ACCOUNTS

<u>Grantor</u>	<u>Depository</u>	<u>Account Number</u>	<u>Description</u>
ERG Resources, LLC	Prosperity Bank	33021813	Checking & Payroll Account
ERG Resources, LLC	Prosperity Bank	04119731	401k Account (zero balance)
ERG Resources, LLC	Santa Barbara Bank	101584407	Checking Account (used for Orcutt Lease Income (de minimis balance))
ERG Resources, LLC	CitiBank	336073248	Money Market Account
ERG Resources, LLC	CitiBank	9771434980	Checking Account
	CitiBank	9787489084	Checking Account (used for revenue deposits and wire transactions)
ERG Operating Company, LLC	Union Bank	4240023690	Checking Account
ERG Operating Company, LLC	CitiBank	9771223272	Checking Account

[Schedule 2 continues on following page]

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PLEDGED EQUITY AND RELATED MATTERS

<u>Grantor</u>	<u>Issuer</u>	<u>Type of Equity Interest</u>	<u>Percentage Interest</u>	<u>Certificate No.</u>	<u>Agreements</u>
ERG Intermediate Holdings, LLC	ERG Resources, L.L.C.	Non-unitized limited liability company membership interest	100%	1	Third Amended and Restated Regulations of ERG Resources, L.L.C. (formerly Energy Reserves Group, L.L.C.), dated [____], 2015
ERG Resources, L.L.C.	West Cat Canyon, L.L.C.	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of West Cat Canyon, L.L.C., dated [____], 2015
ERG Resources, L.L.C.	ERG Operating Company, LLC	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of ERG Operating Company, LLC, dated [____], 2015
ERG Resources, LLC	ERG Interests, LLC	Non-unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement of ERG Interests, LLC, dated [____], 2015

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LETTER-OF-CREDIT RIGHTS

None.

COMMERCIAL TORT CLAIMS

None.

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SCHEDULE 3
to
AMENDED AND RESTATED SECURITY AGREEMENT

Existing Security Agreement

Security Agreement dated as of January 24, 2013 made by **ERG Resources, L.L.C., ERG Intermediate Holdings, LLC, West Cat Canyon, L.L.C., ERG Interests, LLC, and ERG Operating Company, LLC** in favor of CLMG Corp., as Administrative Agent

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EXHIBIT A
to
AMENDED AND RESTATED SECURITY AGREEMENT
FORM OF GRANTOR ACCESSION AGREEMENT

_____, 20__

CLMG Corp., as Administrative Agent,
as the Secured Party for the Beneficiaries referred to
in the Security Agreement referred to below
7195 Dallas Parkway
Plano, Texas 75024
Attn: James Erwin

Ladies and Gentlemen:

The undersigned refers to:

- (i) the Amended and Restated Credit Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the "Credit Agreement") among ERG Resources, L.L.C., a Texas limited liability company, the Lenders party thereto, and you, as administrative agent, and
- (ii) the Amended and Restated Security Agreement dated as of [____], 2015 (as from time to time amended, supplemented or restated, the "Security Agreement") made by the Grantors from time to time party thereto in your favor for the benefit of the Beneficiaries.

Terms defined in the Credit Agreement or the Security Agreement and not otherwise defined herein are used herein as defined, and rules regarding construction, references and titles are as provided, in the Credit Agreement or the Security Agreement.

SECTION 1. Grant of Security. The undersigned grants to you, for the benefit of the Beneficiaries, a security interest in all of its right, title and interest in and to all of the Collateral of the undersigned, whether now owned or hereafter acquired by the undersigned, wherever located and whether now or hereafter existing or arising, including the property of the undersigned set forth on the attached supplemental schedules to the Schedules to the Security Agreement.

SECTION 2. Security for Obligations. The grant of a security interest in the Collateral by the undersigned under this Agreement and the Security Agreement secures the payment of the Secured Obligations. Without limiting the generality of the foregoing, this Security Agreement Supplement and the Security Agreement secures the payment of all amounts that constitute part of the Secured Obligations and that would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that such Secured Obligations are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

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SECTION 3. Information Relating to the Undersigned. The undersigned is an entity of the type specified on Schedule 1 and is organized under the laws of the jurisdiction specified on Schedule 1 and its address for notices is specified on Schedule 1. Its organizational identification number and its Federal Tax ID Number (EIN), if any, are set forth in Schedule 1.

SECTION 4. Supplement to Security Agreement Schedule 2. The undersigned has attached hereto a supplemental Schedule 2 to Schedule 2 to the Security Agreement, and the undersigned certifies, as of the date first-above written, that such supplemental schedule has been prepared by the undersigned in substantially the form of Schedule to the Security Agreement and is true and complete.

SECTION 5. Representations, Warranties, Agreements, Waivers. The undersigned as of the date hereof makes each representation, warranty, agreement (including indemnification agreements), waiver (including all waivers set forth in Sections 7.2 and 7.15 of the Security Agreement), and acknowledgement set forth in the Security Agreement (as supplemented by the attached supplemental schedules).

SECTION 6. Obligations Under the Security Agreement. As of the date first-above written, the undersigned hereby joins the Security Agreement as a party thereto and as a Grantor thereunder and hereby agrees to be bound as a Grantor by all of the terms and provisions of the Security Agreement. As of the date first-above written, each reference in the Security Agreement to a "Grantor" shall also mean and be a reference to the undersigned.

SECTION 7. Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the jurisdiction whose Laws the Security Agreement provides will govern the Security Agreement. The undersigned hereby knowingly and voluntarily agrees to the choice of law set forth the in the Security Agreement and to the choice of law incorporated into this Agreement as set forth herein.

[The remainder of this page is intentionally left blank.]

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Very truly yours,

[GRANTOR]

By _____
Name:
Title:

ACCEPTED AND AGREED AS OF THE DATE
FIRST-ABOVE STATED.

CLMG CORP., as Secured Party

By _____
Name:
Title:

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SCHEDULE 1
to
AMENDED AND RESTATED SECURITY AGREEMENT SUPPLEMENT

Address for Notices and Jurisdiction of Organization

<u>Name of Grantor</u>	<u>Type of Organization</u>	<u>Jurisdiction of Organization</u>	<u>Address for Notices</u>	<u>Organizational ID; Tax ID Number</u>

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SCHEDULE 2
to
AMENDED AND RESTATED SECURITY AGREEMENT SUPPLEMENT

Scheduled Collateral

AGREEMENTS

[List]

PLEDGED DEBT

[List]

DEPOSIT ACCOUNTS

[List]

PLEDGED EQUITY AND RELATED MATTERS

**[Include descriptions of equity, percentage ownership and any shareholder, voting,
operating or similar agreements.]**

LETTER-OF-CREDIT RIGHTS

[List]

COMMERCIAL TORT CLAIMS

[List]

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REFERENCE IS MADE TO THE INTERCREDITOR AGREEMENT DATED AS OF THE DATE HEREOF AMONG COMPANY, CLMG CORP., AS FIRST LIEN ADMINISTRATIVE AGENT, AND CLMG CORP., AS SECOND LIEN ADMINISTRATIVE AGENT. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THE INTERCREDITOR AGREEMENT AND THIS AGREEMENT, THE PROVISIONS OF THE INTERCREDITOR AGREEMENT SHALL CONTROL.

PLEDGE AGREEMENT

dated as of [_____] , 2015

of

ERG PLAN TRUST

in favor of

CLMG CORP., as Administrative Agent

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Schedule

Schedule 1

Schedule 2

Schedule of Pledged Equity

Existing Security Agreement

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THIS PLEDGE AGREEMENT is made as of [____], 2015, by ERG PLAN TRUST (“Grantor”) in favor of CLMG, CORP., as administrative agent under the Credit Agreement (the “Secured Party”), for the benefit of the Beneficiaries.

RECITALS

A. ERG Resources, L.L.C., a Texas limited liability company (“Company”), CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Credit Agreement dated as of January 24, 2013, as amended by that certain First Amendment to Credit Agreement, dated as of August 14, 2014 (as so amended, the “Existing Credit Agreement”), pursuant to which the lenders party thereto made certain loans and other extensions of credit and provided certain commitments to Company.

B. In order to induce the lenders under the Existing Credit Agreement to enter into the Existing Credit Agreement, ERG Intermediate Holdings, LLC, a Texas limited liability company (“Parent”), Company and certain Subsidiaries of Company entered into the Security Agreement more particularly described on Schedule 2 attached hereto (as amended or supplemented to the date hereof, the “Existing Security Agreement”).

C. Prior to the date hereof, Lenders have advanced Loans to Company in the aggregate principal amount of \$372,000,000, consisting of (a) \$230,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on January 24, 2013, (b) \$120,000,000 of Delayed Draw Term Loans (as defined in the Existing Credit Agreement) advanced on various borrowing dates, and (c) \$22,000,000 of Term Loans (as defined in the Existing Credit Agreement) advanced on September 18, 2014 in connection with the First Amendment;

D. On April 30, 2015 (the “Petition Date”), the Credit Parties filed a voluntary petition for relief under Title 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas (Dallas Division) (the “Bankruptcy Court”) (such cases being jointly administered under Case No. 15-31858-hdh-11 are herein referred to as the “Chapter 11 Case”), and such Credit Parties continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code;

E. Company, CLMG Corp., as administrative agent, and the lenders party thereto entered into that certain Senior Secured Superpriority Debtor-in-Possession Credit Agreement dated as of May 7, 2015 (as amended, supplemented, or otherwise modified prior to the date hereof, the “DIP Credit Agreement”), pursuant to which the lenders party thereto became obligated to make loans and other extensions of credit and provide certain commitments to Company as therein provided;

F. Pursuant to that certain order of the Bankruptcy Court entered on [the date hereof] (the “Confirmation Order”), the Bankruptcy Court has confirmed that certain [First Amended Joint] Chapter 11 Plan of Reorganization dated [September 18], 2015 in respect of ERG Intermediate Holdings, LLC and its Affiliated Debtors (the “Plan of Reorganization”);

G. Pursuant to the Plan of Reorganization, Grantor has succeeded to all right, title and interest in and to the Collateral (as herein defined); and

H. In connection with the Plan of Reorganization, Company, the Secured Party, and certain lenders (collectively, the “Lenders”) have entered into that certain Amended and Restated Credit Agreement dated as of even date herewith (as from time to time amended, supplemented or restated, the “Credit Agreement”), which Credit Agreement amends and restates the Existing Credit Agreement in its entirety.

I. In connection with the Plan of Reorganization and pursuant to the Credit Agreement, Grantor and Secured Party desire to enter into this Agreement to evidence Secured Party’s continuing security interest in the Collateral.

NOW, THEREFORE, in consideration of the premises and for other valuable consideration, the receipt and sufficiency of which the parties acknowledge, Grantor agrees as follows:

ARTICLE I

Definitions and References

Section 1.1. Definitions in Credit Agreement. Capitalized terms used herein and not otherwise defined have the respective meanings specified in the Credit Agreement.

Section 1.2. Definitions in the UCC, etc. The following terms have the meanings specified in the UCC:

- (a) Investment Property.
- (b) Proceeds.
- (c) Securities Account.
- (d) Security.
- (e) Uncertificated Security.

Other terms used in this Agreement that are defined in the UCC and not otherwise defined herein or in the Credit Agreement have the meanings specified in the UCC, unless the context otherwise requires.

Section 1.3. Definitions in this Agreement. The following terms have the following meanings:

“Beneficiaries” means the Secured Party, the Lenders and any other Person to which any Secured Obligation is owed.

“Company” has the meaning specified in Recital A.

“Collateral” means all property described in Section 2.1 in which Grantor has any right, title or interest.

“Credit Agreement” has the meaning specified in Recital H.

“Existing Security Agreement” has the meaning specified in Recital B.

“Grantor” has the meaning specified in the preamble.

“Lenders” has the meaning specified in Recital H.

“Plan of Reorganization” has the meaning specified in Recital F.

“Pledged Equity” has the meaning specified in Section 2.1(a).

“Secured Documents” means each Loan Document.

“Secured Obligations” has the meaning specified in the Credit Agreement.

“Secured Party” has the meaning specified in the preamble.

“Securities Act” means the Securities Act of 1933, as amended.

“UCC” means the Uniform Commercial Code in effect in the State of [New York] from time to time; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of [New York], “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

Section 1.4. Rules of Construction; References and Titles. Sections 1.3 and 1.4 of the Credit Agreement are incorporated by reference herein as if fully set forth herein.

ARTICLE II

Security Interest

Section 2.1. Grant of Security Interest. As collateral security for the payment and performance of all Secured Obligations, Grantor pledges, collaterally assigns and grants to the Secured Party for the benefit of the Beneficiaries a continuing security interest in all right, title and interest of Grantor in and to all of the following property, whether now owned or existing or hereafter acquired or arising, regardless of where located and howsoever Grantor’s interests therein arise, whether by ownership, security interest, claim or otherwise:

(a) All Equity listed on Schedule 1, whether such equity is a General Intangible or a security, all Equity that it may acquire in the future that is issued by any Person referred to in Schedule 1 and all Equity that it may hold at any time in the future that is issued by any of its Subsidiaries (the “Pledged Equity”).

(b) All rights and benefits, but no duty or obligation, of Grantor under all agreements, documents and instruments relating to the Pledged Equity, including all rights under limited liability company, operating, management, partnership and stockholder agreements.

(c) Proceeds of the foregoing.

Section 2.2. Secured Obligations Secured.

(a) The security interest created hereby in the Collateral secures the payment and performance of all Secured Obligations.

(b) Without limiting the generality of the foregoing, this Agreement secures the payment of all amounts that constitute part of the Secured Obligations and would be owed by any Credit Party to any Beneficiary under the Secured Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving a Credit Party.

ARTICLE III

Representations and Warranties

Section 3.1. Representations and Warranties. Grantor represents and warrants to the Beneficiaries as follows:

(a) Each representation and warranty made by the Company with respect to Grantor in any other Secured Document is correct.

(b) Grantor has and will have at all times the right, power and authority to grant to the Secured Party as provided herein a security interest in the Collateral, free and clear of any Lien. This Agreement creates a valid and binding security interest in favor of the Secured Party in the Collateral, securing the Secured Obligations.

(c) With respect to Pledged Equity:

(i) All units and other securities constituting Pledged Equity have been duly authorized and validly issued, are fully paid and non-assessable, and were not issued in violation of the preemptive rights of any Person or of any agreement by which Grantor or any issuer of Pledged Equity is bound.

(ii) All actions required by Section 4.2(a) have been taken with respect to Pledged Equity.

(iii) All documentary, stamp or other taxes or fees owing in connection with the issuance, transfer or pledge of any Pledged Equity (or rights in respect thereof) have been paid.

(iv) No restriction or condition exists with respect to the transfer, voting or capital of any Pledged Equity.

(v) Except as disclosed on Schedule 1, neither Grantor nor any issuer of Pledged Equity has any outstanding subscription agreement, option, warrant or convertible security outstanding or any other right outstanding pursuant to which any Person would be entitled to have issued to it units of ownership interest in any issuer of Pledged Equity.

(vi) Grantor has taken, or concurrently herewith is taking, all actions necessary to perfect the Secured Party's security interest in Pledged Equity, including any registration, filing or notice that may be necessary or advisable under Articles 8 or 9 of the UCC and Uniform Commercial Code as in effect in the jurisdiction in which any issuer of such Pledged Equity is organized, and no other Person has any such registration, filing or notice in effect, except for those that are being terminated concurrently herewith.

(vii) Schedule 1 correctly and completely reflects all Pledged Equity owned by Grantor as of the date hereof and accurately sets forth the percentage of each class or series of Equity issued by the issuer of such Pledged Equity that is held by Grantor.

(viii) Schedule 1 sets forth all agreements, including all governing, operating, management, voting, shareholder or similar agreements to which Grantor is a party or by which it is bound and that relate to Pledged Equity and a correct and complete copy of each such agreement has been delivered to counsel for the Secured Party.

(ix) No issuer of Pledged Equity has made any call for capital that has not been fully paid by Grantor and each other holder of Equity of such issuer.

(x) Neither Grantor nor any other holder of Equity issued by any issuer of Pledged Equity is in default under, or has otherwise breached or violated, any agreement relating to Pledged Equity.

(xi) Neither the execution, delivery or performance of this Agreement, nor the exercise of any right or remedy of the Secured Party hereunder, will cause a default under or otherwise breach or violate any agreement in respect of Pledged Equity or otherwise adversely affect or diminish any Pledged Equity.

(xii) Grantor's rights under any agreement in respect of Pledged Equity are enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(d) The Pledged Equity listed on Schedule 1 constitutes all Equity owned by Grantor in its Subsidiaries as of the date hereof. Grantor has delivered to the Secured Party all certificates evidencing the Pledged Equity, duly indorsed, or accompanied by stock powers duly indorsed, in blank for transfer.

(e) Grantor is a [statutory] trust formed pursuant to the Trust Declaration and is not a "registered organization", as defined in Section 9-102(a)(70) of the UCC. Grantor has not conducted business under any name except the name in which it has executed this Agreement, which is the exact name that appears in Grantor's Organizational Documents. Grantor's

principal place of business and chief executive office were for the four-month period prior to the date hereof (or, if less, the entire period of the existence of Grantor) located at Grantor's address referred to in Section 7.1.

(f) Grantor has good and marketable title to the Collateral, free and clear of all Liens, except for the security interest created by this Agreement. No effective financing statement or other registration or instrument similar in effect covering any Collateral is on file in any recording office except any that have been filed in favor of the Secured Party relating to this Agreement or the Existing Security Agreement.

(g) Neither the ownership or intended use of the Collateral by Grantor, nor the grant of the security interest by Grantor to the Secured Party hereunder:

(i) conflicts with:

(A) any domestic or foreign Law;

(B) any Organizational Document of Grantor or any issuer of Pledged Equity; or

(C) any agreement, judgment, license, order or permit applicable to or binding upon Grantor or any issuer of Pledged Equity, or

(ii) results in or requires the creation of any Lien, charge or encumbrance upon any asset of Grantor.

(h) Except as expressly contemplated in the Loan Documents, no consent, approval, authorization or order of, and no notice to or filing with, any court, governmental authority or third party is required in connection with the grant by Grantor of the security interest hereunder, or the exercise by the Secured Party of its rights and remedies hereunder, except for such as may be needed under federal and state securities laws in connection with sales of securities by the Secured Party.

(i) This Agreement is the legal, valid and binding obligation of Grantor, enforceable against Grantor in accordance with its terms, except as limited by bankruptcy, insolvency or similar Laws of general application relating to the enforcement of creditors' rights.

(j) There is no action, suit or proceeding pending or, to the knowledge of Grantor, threatened against or otherwise affecting Grantor before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality that could reasonably be expected materially and adversely to affect Grantor's financial condition or its ability to perform its Obligations hereunder.

(k) There is no condition precedent to the effectiveness of this Agreement that has not been satisfied or waived.

(l) Grantor has, independently and without reliance upon any Beneficiary and based on such documents and information as it has deemed appropriate, made its own credit analysis

and decision to enter into this Agreement and each other Secured Document to which it is or is to be a party, and Grantor, if other than Company, has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of each other Credit Party.

(m) Grantor is not a Transmitting Utility.

(n) Grantor owns no properties (whether real or personal) or assets of any kind other than the Pledged Equity and assets related thereto.

ARTICLE IV

Covenants

Section 4.1. General Covenants. Grantor will at all times perform and observe the covenants contained in the Credit Agreement that are applicable to Grantor (whether made by Grantor or made by Company with respect to Grantor) for so long as any Secured Obligation is outstanding. In addition, Grantor will, so long as this Agreement shall be in effect, perform and observe the following:

(a) Without limitation of any other covenant herein, Grantor shall not cause or permit any change in its name, identity or organizational structure, or any change to its jurisdiction of organization, unless Grantor shall have first:

(i) notified the Secured Party of such change at least 30 days prior to the effective date of such change (or such shorter notice as the Secured Party may approve);

(ii) taken all action requested by the Secured Party (under the following subsection (b) or otherwise) for the purpose of further confirming, maintaining and protecting the Secured Party's security interest and rights under this Agreement and the perfection and priority thereof; and

(iii) if requested by the Secured Party, provided to the Secured Party a legal opinion to the Secured Party's satisfaction confirming that such change shall not adversely affect the Secured Party's security interest and rights under this Agreement or the perfection or priority of such security interest.

In any notice delivered pursuant to this subsection, Grantor will expressly state that the notice is required by this Agreement and contains facts that may require additional filings of financing statements or other notices for the purposes of continuing perfection of the Secured Party's security interest in the Collateral.

(b) Grantor will, at its expense and as from time to time requested by the Secured Party, promptly execute and deliver all further instruments, agreements, filings and registrations, and take all further action, to:

- (i) confirm and validate this Agreement and the Secured Party's rights and remedies hereunder;
- (ii) correct any error or omission in the description herein of the Secured Obligations or the Collateral or in any other provision hereof;
- (iii) perfect, register and protect the security interest and rights created or purported to be created hereby or to maintain or upgrade in rank the priority of such security interests and rights;
- (iv) enable the Secured Party to exercise and enforce its rights and remedies hereunder; or
- (v) otherwise give the Secured Party the full benefits of the rights and remedies described in or granted under this Agreement.

As part of the foregoing, Grantor will, whenever requested by the Secured Party from time to time:

- (A) execute and file any financing statement, continuation statement or other filing or registration relating to the Secured Party's security interest and rights hereunder, and any amendment thereto, and
 - (B) mark its books and records relating to any Collateral to reflect that such Collateral is subject to this Agreement and the security interests hereunder.
- (c) Grantor will:
- (i) Maintain good and marketable title to all Collateral, free and clear of all Liens except for the security interest created by this Agreement, and not grant or allow any such Lien to exist.
 - (ii) Not allow to remain in effect, and cause to be terminated, any financing statement or other registration or instrument similar in effect covering any Collateral, except any that has been filed in favor of the Secured Party relating to this Agreement.
 - (iii) Defend the Secured Party's right, title and special property and security interest in and to the Collateral against the claims of any Person.
- (d) Grantor shall not take any action that would, or fail to take any action if such failure would, impair the enforceability, perfection or priority of the Secured Party's security interest in any Collateral.
- (e) Grantor shall not incur any Indebtedness, own or acquire any assets (other than the Equity of Company or any assets incidental thereto) or engage in any operations or business, other than (i) activities and contractual rights incidental to the maintenance of its existence as a trust with the primary purpose of liquidating its assets in accordance with Treasury Regulation § 301.7701-4(d) and (ii) performance of its obligations under the Trust Declaration, the

Confirmation Order and Plan of Reorganization, including its obligations under the Loan Documents to which it is a party. Notwithstanding anything to the contrary in this Agreement, except as permitted under the Confirmation Order and the Plan of Reorganization, Grantor shall not (A) consolidate with or merge into, or convey, transfer or lease all or substantially all its assets to, any Person; (B) sell or otherwise Dispose of any Equity of Parent, except as permitted by this Agreement; or (C) fail to hold itself out to the public as a legal entity separate and distinct from all other Persons.

Section 4.2. Covenants Relating Specifically to the Nature of the Collateral. Grantor will, for so long as any Secured Obligation is outstanding, perform and observe the following:

(a) (i) If Grantor shall at any time hold or acquire any certificated Security evidencing Collateral, Grantor will forthwith promptly endorse, assign, and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(ii) If any Pledged Equity is an Uncertificated Security and is issued to Grantor or its nominee directly by the issuer thereof, Grantor will immediately notify the Secured Party of such issuance and, pursuant to an agreement in form and substance satisfactory to the Secured Party, cause the issuer thereof to agree to comply with instructions from the Secured Party as to such Security, without further consent of Grantor or such nominee, or take such other action as the Secured Party may approve in order to perfect the Secured Party's security interest in such Security.

(iii) Grantor shall not permit any Pledged Equity to be held by a securities intermediary or held in a Securities Account. Grantor shall not permit any Pledged Equity that is an equity interest in a limited liability company or a limited partnership and that is a General Intangible to become Investment Property.

(iv) Grantor shall not:

(A) adjust, settle, compromise, amend or modify any right in respect of any Pledged Equity or any agreement relating thereto;

(B) permit the creation of any additional equity interest in any issuer of Pledged Equity, unless immediately upon creation the same is pledged to the Secured Party pursuant hereto to the extent necessary to give the Secured Party a first-priority security interest in such Pledged Equity after such creation that is in the aggregate at least the same percentage of such Pledged Equity as was subject hereto before such issue, whether such additional interest is presently vested or will vest upon the payment of money or the occurrence or nonoccurrence of any other condition; or

(C) enter into any agreement, other than the Secured Documents, creating, or otherwise permit to exist, any restriction or condition upon (including the requirement to obtain consents with respect to) the transfer or exercise of any rights in respect of any Pledged Equity, including any restriction or condition upon the transfer, voting or control of any Pledged Equity.

(b) If Grantor shall acquire at any time any additional Equity constituting Collateral, Grantor shall promptly notify the Secured Party in writing of the details thereof and execute and deliver to the Secured Party a supplement to Schedule 1 listing such Equity, which supplement shall take effect without further action on the part of any party hereto or beneficiary hereof.

ARTICLE V

Voting and Distribution Rights in Respect Of Pledged Equity

Section 5.1. Voting Rights. Grantor shall be entitled to exercise all voting and other consensual rights pertaining to the Pledged Equity or any part thereof for any purpose; provided that Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of any Pledged Equity or on the Secured Party's security interest or the value thereof; and provided further that, upon the occurrence and during the continuance of a Default, upon notice from the Secured Party to Grantor, all rights to exercise or refrain from exercising the voting and other consensual rights that Grantor would otherwise be entitled to exercise shall cease and all such rights shall thereupon become vested in the Secured Party, which thereupon shall have the sole right to exercise or refrain from exercising such voting and other consensual rights.

Section 5.2. Dividend Rights While No Event of Default Exists. Grantor shall be entitled to receive and retain all distributions paid in respect of the Pledged Equity if and to the extent that the payment thereof is not otherwise prohibited by the Loan Documents; provided that:

(a) all interest and distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Equity;

(b) all distributions paid or payable in cash in respect of any Pledged Equity in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in surplus; and

(c) all cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Equity,

shall be, and shall be forthwith delivered to the Secured Party to hold as, Collateral and shall, if received by Grantor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of Grantor and be forthwith delivered by Grantor to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

Section 5.3. Actions by Secured Party. The Secured Party will execute and deliver (or cause to be executed and delivered) to Grantor all such proxies and other instruments as Grantor may reasonably request for the purpose of enabling Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to Section 5.1 above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to Section 5.2 above.

Section 5.4. Rights While an Event of Default Exists. Upon the occurrence and during the continuance of an Event of Default:

(a) All rights of Grantor to receive the dividends and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 5.2 shall automatically cease, and all such rights shall thereupon become vested in the Secured Party, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Pledged Equity such dividends and other distributions.

(b) All dividends and other distributions that are received by Grantor contrary to subsection (a) above shall be received in trust for the benefit of the Secured Party, shall be segregated from other funds of Grantor and shall be forthwith paid over to the Secured Party as Pledged Equity in the same form as so received (with any necessary indorsement).

ARTICLE VI

Remedies, Powers and Authorizations

Section 6.1. Normal Provisions Concerning the Collateral.

(a) Grantor irrevocably authorizes the Secured Party at any time and from time to time to file, without the signature of Grantor, in any jurisdiction any amendments to existing financing statements and any initial financing statements and amendments thereto that:

- (i) indicate the nature of the Collateral;
- (ii) contain any other information required for the sufficiency or filing office acceptance of any financing statement or amendment, including whether Grantor is an organization, the type of organization and any organization identification number issued to Grantor; or
- (iii) are necessary or appropriate properly to effectuate the transactions described in the Secured Documents, as determined by the Secured Party in its discretion.

Grantor will furnish any such information to the Secured Party promptly upon request. A carbon, photographic or other reproduction of this Agreement or any financing statement describing any Collateral is sufficient as a financing statement and may be filed in any jurisdiction by the Secured Party. Grantor ratifies and approves all financing statements heretofore filed by or on behalf of the Secured Party in any jurisdiction in connection with the transactions contemplated hereby.

(b) Grantor appoints the Secured Party as Grantor's attorney in fact and proxy, with full authority in the place and stead of Grantor and in the name of Grantor or otherwise, from time to time in the Secured Party's discretion, to take any action and to execute any instrument that the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement including any action or instrument:

(i) to ask for, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any Collateral;

(ii) to receive, indorse and collect any drafts or other Instruments or Documents;

(iii) to enforce any obligations included in the Collateral; and

(iv) to file any claims or take any action or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any Collateral or otherwise to enforce the rights of Grantor or the Secured Party with respect to any Collateral.

Such power of attorney and proxy are coupled with an interest, are irrevocable, and are to be used by the Secured Party for the sole benefit of the Beneficiaries.

(c) If Grantor fails to perform any agreement or obligation contained herein, the Secured Party may, but shall have no obligation to, itself perform, or cause performance of, such agreement or obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by Grantor under Section 6.6.

(d) If any Collateral in which Grantor has granted a security interest hereunder is at any time in the possession or control of any warehouseman, bailee or any of Grantor's agents, Grantor shall, upon the request of the Secured Party, notify such warehouseman, bailee or agent of the Secured Party's rights hereunder and instruct such Person to hold all such Collateral for the Secured Party's account subject to the Secured Party's instructions. No such request by the Secured Party shall be deemed a waiver of any provision hereof that was otherwise violated by such Collateral being held by such Person prior to such instructions by Grantor.

(e) The Secured Party shall have the right, at any time in its discretion and without notice to Grantor, to transfer to or to register in the name of the Secured Party or any of its nominees any Pledged Equity, subject only to the revocable rights specified in Section 5.1(a).

(f) Anything in this Agreement to the contrary notwithstanding:

(i) Grantor shall remain liable to perform all duties and obligations under the agreements included in the Collateral to the same extent as if this Agreement had not been executed.

(ii) The exercise by the Secured Party of any right hereunder shall not release Grantor from any duty or obligation under any agreement included in the Collateral.

(iii) No Beneficiary shall have any obligation or liability under the agreements in respect of the Collateral by reason of this Agreement or any other Secured Document, nor shall any Beneficiary be obligated to perform any duty or obligation of Grantor thereunder or take any action to collect or enforce any claim for payment assigned hereunder.

Section 6.2. Event of Default Remedies. If an Event of Default shall have occurred and be continuing, the Secured Party may from time to time in its discretion, without limitation and without notice except as expressly provided below:

(a) Exercise in respect of the Collateral, in addition to any other right and remedy provided for herein, under the other Secured Documents, or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and any other applicable Law.

(b) Require Grantor to, and Grantor will at its expense and upon request of the Secured Party forthwith, assemble all or part of the Collateral as directed by the Secured Party and make it (together with all books, records and information of Grantor relating thereto) available to the Secured Party at a place to be designated by the Secured Party that is reasonably convenient to both parties.

(c) Prior to the disposition of any Collateral:

(i) to the extent permitted by applicable Law, enter, with or without process of Law and without breach of the peace, any premises where any Collateral is or may be located, and without charge or liability to the Secured Party seize and remove such Collateral from such premises;

(ii) have access to and use Grantor's books, records, and information relating to the Collateral; and

(iii) store or transfer any Collateral without charge in or by means of any storage or transportation facility owned or leased by Grantor, process, repair or recondition any Collateral or otherwise prepare it for disposition in any manner and to the extent the Secured Party deems appropriate and, in connection with such preparation and disposition, use without charge any copyright, trademark, trade name, patent or technical process used by Grantor.

(d) Reduce its claim to judgment or foreclose or otherwise enforce, in whole or in part, the security interest created hereby by any available judicial procedure.

(e) Dispose of, at its office, on the premises of Grantor or elsewhere, any Collateral, as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (but the sale of any Collateral shall not exhaust the Secured Party's power of sale, and sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Secured Obligations have been paid and performed in full), and at any such sale it shall not be necessary to exhibit any Collateral.

(f) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any public sale.

(g) Buy (or allow any Beneficiary to buy) Collateral, or any part thereof, at any private sale if any Collateral is of a type customarily sold in a recognized market or is of a type that is the subject of widely distributed standard price quotations.

(h) Apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Grantor consents to any such appointment.

(i) Comply with any applicable state or federal Law requirement in connection with a disposition of Collateral and such compliance shall not be considered to affect adversely the commercial reasonableness of any sale of Collateral.

(j) Sell Collateral without giving any warranty with respect to title or any other matter and for cash, on credit or for non-cash consideration as the Secured Party determines is appropriate.

(k) To the extent notice of sale shall be required by Law with respect to Collateral, at least 10-days' notice to Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification; provided that, if the Secured Party fails in any respect to give such notice, its liability for such failure shall be limited to the liability (if any) imposed on it by Law under the UCC. The Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

Section 6.3. Application of Proceeds. If an Event of Default shall have occurred and be continuing, any cash held by or on behalf of the Secured Party and all cash proceeds received by or on behalf of the Secured Party in respect of any sale of, collection from, or other realization upon any Collateral may, in the discretion of the Secured Party, be held by the Secured Party as collateral for, and/or then or at any time thereafter applied in whole or in part by the Secured Party for the benefit of the Beneficiaries against, the Secured Obligations as set forth in Section 8.3 of the Credit Agreement.

Section 6.4. Limited Recourse; Sale at a Loss. Notwithstanding anything to the contrary herein, (a) Grantor is not personally liable for any of the Secured Obligations and shall have no duty to pay or perform any of the Secured Obligations, and (b) the rights and remedies of the Secured Party under this Agreement with respect to the Secured Obligations are limited to recourse against the Collateral as provided herein. Collateral may be sold at a loss to Grantor, and the Secured Party shall have no liability or responsibility to Grantor for such loss. Grantor acknowledges that a private sale may result in less proceeds than a public sale.

Section 6.5. Private Sales of Pledged Equity.¹ The Beneficiaries may deem it impracticable to effect a public sale of any Pledged Equity and may determine to make one or more private sales of such Pledged Equity to a restricted group of purchasers that will be obligated to agree, among other things, to acquire the same for their own account, for investment and not with a view to the distribution or resale thereof. Any such private sale may be at a price and on other terms less favorable to the seller than the price and other terms that might have been obtained at a public sale. Any such private sale nevertheless shall be deemed to have been made in a commercially reasonable manner, and neither the Secured Party nor any other Beneficiary

¹ **Shad** - Should we include registration rights provisions?

shall have any obligation to delay sale of any such Pledged Equity for the period of time necessary to permit their registration for public sale under the Securities Act. Any offer to sell any such Collateral that has been:

- (i) publicly advertised on a *bona-fide* basis in a newspaper or other publication of general circulation in the financial community of [Dallas], Texas (to the extent that such an offer may be so advertised without prior registration under the Securities Act), or
- (ii) made privately in the manner described above to not less than 15 *bona-fide* offerees,

shall be deemed to involve a “public disposition” under Section 9-610(c) of the UCC, notwithstanding that such sale may not constitute a “public offering” under the Securities Act, and any Beneficiary may bid for such Collateral.

Section 6.6. Indemnity and Expenses. In addition to, but not in qualification or limitation of, any similar obligations under other Secured Documents:

(a) Grantor will indemnify the Secured Party, each other Beneficiary and any agent appointed pursuant to Section 6.9 from and against all claims, losses and liabilities growing out of or resulting from this Agreement (including enforcement of this Agreement), **WHETHER OR NOT SUCH CLAIMS, LOSSES AND LIABILITIES ARE IN ANY WAY OR TO ANY EXTENT CAUSED BY OR ARISING OUT OF SUCH INDEMNIFIED PARTY’S OWN NEGLIGENCE OR STRICT LIABILITY**, except to the extent such claims, losses or liabilities are proximately caused by such indemnified party’s individual gross negligence or willful misconduct.

(b) Grantor will upon demand pay to the Secured Party the amount of all costs and expenses, including the fees and disbursements of the Secured Party’s counsel and of any experts and agents, that the Secured Party may incur in connection with:

- (i) the transactions that give rise to this Agreement;
- (ii) the preparation of this Agreement and the perfection and preservation of this security interest created under this Agreement;
- (iii) the administration of this Agreement;
- (iv) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any Collateral;
- (v) the exercise or enforcement of any right of the Secured Party hereunder; or
- (vi) the failure by Grantor to perform or observe any of the provisions hereof.

Section 6.7. Non-Judicial Remedies. In granting to the Secured Party the power to enforce its rights hereunder without prior judicial process or judicial hearing, to the extent

permitted by applicable Law, Grantor waives, renounces and knowingly relinquishes any legal right that might otherwise require the Secured Party to enforce its rights by judicial process and confirms that such remedies are consistent with the usage of trade, are responsive to commercial necessity and are the result of a bargain at arm's length. The Secured Party may, however, in its discretion, resort to judicial process.

Section 6.8. Limitation on Duty of the Secured Party in Respect of Collateral. Beyond the exercise of reasonable care in the custody thereof, the Secured Party shall have no duty as to any Collateral in its possession or control or in the possession or control of any agent or bailee or as to the preservation of rights against prior parties or any other rights pertaining thereto. The Secured Party shall be deemed to have exercised reasonable care in the custody of Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property, and the Secured Party shall not be liable or responsible for any loss or damage to any Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by the Secured Party in good faith.

Section 6.9. Appointment of Other Agents. At any time, in order to comply with any legal requirement in any jurisdiction, the Secured Party may appoint any bank or trust company or one or more other Persons, either to act as co-agent or co-agents, jointly with the Secured Party, or to act as separate agent or agents on behalf of the Secured Party, with such power and authority as may be necessary for the effective operation of the provisions hereof and may be specified in the instrument of appointment.

ARTICLE VII

Miscellaneous

Section 7.1. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent in the manner provided in the Credit Agreement, with each notice or communication to Grantor being given in the same manner as notices and communications to Company under the Credit Agreement; provided that such notices and communications shall in each case be addressed to Grantor at its address for notices set forth on its signature page hereto, or to such other address or to the attention of such other individual as hereafter shall be designated in writing. Any such notice or communication shall be deemed to have been given as provided in the Credit Agreement for notices given thereunder.

Section 7.2. Amendments and Waivers. Except as provided in Section 4.2(b) or 7.3, no amendment of this Agreement shall be effective unless it is in writing and signed by Grantor and the Secured Party, and no waiver of this Agreement or consent to any departure by Grantor herefrom shall be effective unless it is in writing and signed by the Secured Party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for that given and to the extent specified in such writing. In addition, all such amendments and waivers shall be effective only if given with the necessary approvals required in the Credit Agreement.

Section 7.3. Preservation of Rights. No failure on the part of the Secured Party or any other Beneficiary to exercise, and no delay in exercising, any right hereunder or under any other Secured Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Secured Party provided herein and in the other Secured Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by Law or otherwise.

Section 7.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 7.5. Survival. Each representation and warranty, covenant and other obligation of Grantor herein shall survive the execution and delivery of this Agreement, the execution and delivery of any other Secured Document and the creation of the Secured Obligations.

Section 7.6. Binding Effect and Assignment. This Agreement shall:

- (a) be binding on Grantor and its successors and permitted assigns, and
- (b) inure, together with all rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party and the other Beneficiaries and their respective successors, transferees and assigns.

Without limiting the generality of the foregoing, the Secured Party and any other Beneficiary may (except as otherwise provided in any Secured Document) pledge, assign or otherwise transfer any right under any Secured Document to any other Person, and such other Person shall thereupon become vested with all benefits in respect thereof granted herein or otherwise. No right or duty of Grantor hereunder may be assigned or otherwise transferred without the prior written consent of the Secured Party.

Section 7.7. Release of Collateral; Termination.

(a) Upon any sale, lease, transfer or other disposition of any Collateral of Grantor in accordance with the Secured Documents, the Secured Party will, at Grantor's expense, execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence the release of such Collateral from the assignment and security interest granted hereby; provided that:

- (i) at the time of such request and such release no Default shall have occurred and be continuing,
- (ii) Grantor shall have delivered to the Secured Party, at least 10 Business Days prior to the date of the proposed release (or by such lesser notice as the Secured Party may approve), a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release

for execution by the Secured Party and a certificate of Grantor to the effect that the transaction is in compliance with the Secured Documents and such other matters as the Secured Party may request, and

(iii) if any Secured Document provides for any application of the proceeds of any such sale, lease, transfer or other disposition, or any payment to be made, in connection therewith, such proceeds shall have been applied or payment made as provided therein.

(b) Upon, and only upon the indefeasible payment and satisfaction in full in cash of the Secured Obligations and the termination or expiration of the Credit Agreement, this Agreement and the security interest created hereby shall terminate, all rights in the Collateral shall revert to Grantors and the Secured Party, at a Grantor's request and at its expense, will:

(i) return to Grantor such of Grantor's Collateral in the Secured Party's possession as shall not have been sold or otherwise disposed of or applied pursuant to the terms hereof, and

(ii) execute and deliver to Grantor such documents as Grantor shall reasonably request to evidence such termination.

Notwithstanding the foregoing, Section 6.6 shall survive the termination of this Agreement.

(c) No Grantor is authorized to file any financing statement or amendment or termination statement with respect to any financing statement originally filed in connection with this Agreement without the prior written consent of the Secured Party, subject to Grantors' rights under Sections 9-509(d)(2) and 9-518 of the UCC.

Section 7.8. Security Interest Absolute; Recourse; Waivers.

(a) The obligations of Grantor under or in respect of this Agreement are independent of the Secured Obligations or any other obligation of any other Credit Party under or in respect of the Secured Documents, and a separate action or actions may be brought and prosecuted against Grantor to enforce this Agreement, irrespective of whether any action is brought against the Company or any other Credit Party or whether the Company or any other Credit Party is joined in any such action or actions.

(b) The obligations of Grantor hereunder shall not be affected by:

(i) any voluntary or involuntary liquidation, dissolution, sale of all or substantially all assets, marshalling of assets or liabilities, receivership, conservatorship, assignment for the benefit of creditors, insolvency, bankruptcy, reorganization, arrangement, or composition of any Credit Party;

(ii) any other proceeding involving any Credit Party or any asset of any Credit Party under any law for the protection of debtors; or

(iii) any discharge, impairment, modification, release, or limitation of the liability of, or stay of actions or lien enforcement proceeding against, any Credit Party, any property of any Credit Party, or the estate in bankruptcy of any Credit Party in the course of or resulting from any such proceeding.

(c) No action that the Secured Party or any other Beneficiary may take or omit to take in connection with any Secured Document, any Secured Obligation (or any other indebtedness owing by the Company to any Beneficiary), or any collateral security, and no course of dealing between any Beneficiary and the Company, any Grantor or any other Person, shall release or diminish Grantor's obligations, liabilities, agreements or duties hereunder, affect this Agreement, or afford Grantor any recourse against any Beneficiary, regardless of whether any such action or inaction may increase any risk to or liability of any Beneficiary, the Company or any Grantor or increase any risk to or diminish any safeguard of any collateral security.

(d) The liability of Grantor under this Agreement shall be irrevocable, absolute and unconditional irrespective of, and Grantor irrevocably waives any defense that it may now have or hereafter acquire relating to, any or all of the following, (and Grantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Secured Documents and that the waivers set forth below and otherwise in this Agreement) are knowingly made in contemplation of such benefits):

(i) Any lack of validity or enforceability of any Secured Document, any agreement or instrument relating thereto, any defense arising by reason of any disability or other defense of any other Person or the cessation from any cause whatsoever of the liability of any other Person.

(ii) Any change in the time, manner or place of payment of, or in any other term of, any Secured Obligation or any other Obligation of any other Credit Party in respect of the Secured Documents, or any other amendment or waiver of or any consent to departure from any Secured Document, including any increase in the Secured Obligations resulting from the extension of additional credit to any Credit Party or any of its Subsidiaries or otherwise.

(iii) Any taking, exchange, release or non-perfection of any collateral security, or any taking, release or amendment or waiver of, or consent to departure from any other guaranty of any Secured Obligation.

(iv) Any manner of application of collateral security, or proceeds thereof, to any Secured Obligation, or any manner of sale or other disposition of any collateral security securing any Secured Obligation or any other obligation of any Credit Party under the Secured Documents or any other asset of any Credit Party or any of its Subsidiaries and any other obligation to marshal assets.

(v) Any right to require any Beneficiary to proceed against any other Person, to exhaust any collateral security for the Secured Obligations, to have any other Person joined with Grantor in any suit arising out of the Secured Obligations or this Agreement or to pursue any other remedy in any Beneficiary's power.

(vi) Any change, restructuring or termination of the corporate structure or existence of any Credit Party or any of its Subsidiaries.

(vii) Any failure of any Beneficiary to disclose to any Credit Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party now or hereafter known to such Beneficiary (each Grantor waiving any duty on the part of the Beneficiaries to disclose such information).

(viii) Any failure of any other Person to execute or deliver this Agreement, any supplement hereto or any guaranty or other agreement.

(ix) Any release or reduction of the liability of any Grantor or surety with respect to the Secured Obligations or any other compromise or settlement of the Secured Obligations.

(x) Promptness, diligence, notice of acceptance, presentment, demand for performance and notice of acceptance, non-performance, default, intention to accelerate, acceleration, protest or dishonor and, to the extent permitted by Law, any other notice with respect to any Secured Obligation and this Agreement, including notice of acceptance of this Agreement and all rights of Grantor under §34.02 of the Texas Business and Commerce Code, as amended.

(xi) Any requirement that any Beneficiary protect, secure, perfect or insure any Lien or any property subject thereto.

(xii) Any right to revoke this Agreement.

(xiii) Any election of remedies by any Beneficiary that in any manner impairs, reduces, releases or otherwise adversely affects any collateral security or any subrogation, reimbursement, exoneration, contribution or indemnification right of Grantor or other right of Grantor to proceed against any other Credit Party, any other Grantor, any other Person or any collateral security.

(xiv) Any right of set-off or counterclaim against or in respect of the Obligations of Grantor hereunder.

(xv) Any neglect, failure or refusal to take any action:

(A) for the collection or enforcement of any Secured Obligation,

(B) to realize on any collateral security,

(C) to enforce any Secured Document,

(D) to file or enforce a claim in any bankruptcy or other insolvency proceeding

(E) in connection with the administration of any Secured Document or

(F) otherwise concerning the Secured Obligations or the Secured Documents,

or any delay in taking any such action.

(xvi) The fact that any Grantor may have incurred directly any Secured Obligation or is otherwise primarily liable therefor.

(xvii) Any duty of any Beneficiary to disclose to Grantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party or any of its Subsidiaries now or hereafter known by such Beneficiary.

(xviii) Any defense to the recovery by any Beneficiary against Grantor of any deficiency after a non-judicial sale and any defense or benefit that may be afforded by applicable Law (and in that connection Grantor acknowledges that the Secured Party may, without notice to or demand upon Grantor and without affecting the liability of such Grantor under this Agreement, foreclose under any mortgage by non-judicial sale).

(xix) Any statute of limitations applicable to the Secured Obligations.

(xx) To the extent permitted by Law, any other circumstance or any existence of or reliance on any representation by any Beneficiary that might otherwise constitute a defense available to, or a discharge of, Grantor, any Credit Party or any other Grantor or surety.

(xxi) Until all of the Secured Obligations shall have indefeasibly been paid in cash in full:

(A) any right to subrogation;

(B) any right to enforce any remedy that the Secured Party or any other Beneficiary has or may hereafter have against any other Person; and

(C) any benefit of and any right to participate in any other security whatsoever now or hereafter held by the Secured Party

(e) This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Secured Obligation is rescinded or must otherwise be returned by any Beneficiary as a result of the insolvency, bankruptcy or reorganization of any Credit Party or otherwise, all as though such payment had not been made, and the Grantor will pay such amount to the applicable Beneficiary on demand. Any transfer by subrogation that is made as contemplated in Section 7.2 prior to any such payment shall (regardless of the terms of such transfer) be automatically voided upon the making of any such payment or payments, and all rights so transferred shall thereupon automatically revert to and be vested in the Beneficiaries.

Section 7.9. **Governing Law.** **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF [NEW YORK],² WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

Section 7.10. **Final Agreement.** This Agreement and the other Secured Documents represent the final agreement between the parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties hereto. There are no unwritten oral agreements between the parties hereto.

Section 7.11. **Facsimile.** This Agreement may be validly delivered by facsimile or other electronic transmission of an executed counterpart of the signature page hereof.

Section 7.12. **Acceptance by the Secured Party.** By their acceptance of the benefits hereof, the Secured Party and the Beneficiaries shall be deemed to have agreed to be bound hereby and to perform any obligation on their part set forth herein.

Section 7.13. **Jurisdiction, Etc.**³ **THE SECURED PARTY MAY BRING ANY ACTION OR PROCEEDING TO ENFORCE THIS AGREEMENT OR ANY ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT OR OUT OF ANY OF THE OTHER LOAN DOCUMENTS IN ANY COURT OR COURTS IN THE STATE OF TEXAS, COUNTY OF DALLAS, OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. GRANTOR HEREBY IRREVOCABLY (I) SUBMITS ITSELF TO THE NON-EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF TEXAS AND COUNTY OF DALLAS, (II) AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT AND ANY OF ITS SUBSIDIARIES IN ANY LEGAL PROCEEDING RELATING TO THE LOAN DOCUMENTS OR THE OBLIGATIONS BY ANY MEANS ALLOWED UNDER TEXAS OR FEDERAL LAW AND AGREES THAT IT WILL ACKNOWLEDGE RECEIPT OF A COPY OF THE SUMMONS AND COMPLAINT WITHIN THE STATUTORY TIME LIMIT AND IN THE MANNER SET FORTH ON THE NOTICE AND SUMMONS, AND (III) WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH PROCEEDING BEING IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND WILL NOT ATTEMPT TO HAVE SUCH ACTION DISMISSED OR ABATED OR TRANSFERRED ON THE GROUNDS OF FORUM NONCONVENIENCE OR SIMILAR GROUNDS, PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PROHIBIT GRANTOR FROM SEEKING, BY APPROPRIATE MOTION, TO REMOVE AN ACTION BROUGHT IN A TEXAS STATE COURT TO THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS. IF SUCH ACTION IS SO REMOVED, HOWEVER, GRANTOR SHALL NEITHER SEEK TO TRANSFER SUCH ACTION TO ANY OTHER DISTRICT NOR SEEK TO TRANSFER TO ANY OTHER DISTRICT ANY ACTION WHICH SECURED PARTY ORIGINALLY**

² NTD: Under review by Lender Parties.

³ NTD: Under review by Lender Parties.

COMMENCED IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS.

Section 7.14. Waiver of Jury Trial, Punitive Damages, etc.. GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL:

(a) WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AND SECURED PARTY AND/OR ANY BENEFICIARY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF GRANTOR UNDER THIS AGREEMENT TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY,

(b) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY "SPECIAL DAMAGES" AS DEFINED BELOW,

(c) CERTIFIES THAT NO BENEFICIARY AND NO REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY BENEFICIARY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH BENEFICIARY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS,

(d) ACKNOWLEDGES THAT THE LENDER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE OTHER SECURED DOCUMENTS TO WHICH THEY ARE A PARTY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION AND IN THE CREDIT AGREEMENT, AND

(e) AGREES THAT IN NO EVENT WILL ANY BENEFICIARY BE SUBJECT TO ANY EQUITABLE REMEDY OR RELIEF, INCLUDING SPECIFIC PERFORMANCE, ARISING FROM OR RELATING TO ANY DEFAULT BY SUCH BENEFICIARY IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS HEREUNDER.

AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL PUNITIVE, CONSEQUENTIAL, SPECIAL OR OTHER DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS THAT ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

GRANTOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN SUBPARAGRAPH (a) ABOVE ANY ACTUAL DAMAGES SUFFERED OR INCURRED BY ANY CREDIT PARTY OR ALL CREDIT PARTIES COLLECTIVELY AS A RESULT OF A DEFAULT, BREACH OR FAILURE TO PERFORM BY ANY LENDER PARTY (INCLUDING A DEFAULT IN FUNDING ANY PROCEEDS OF ANY LOAN) THAT EXCEED, IN THE AGGREGATE FOR THE TERM OF THE CREDIT AGREEMENT, THE LESSER OF (I) \$1,000,000 AND (II) THE AMOUNT OF ANY LOAN TO BE FUNDED IN CONNECTION WITH ANY SUCH DEFAULT, BREACH OR FAILURE TO PERFORM.

Section 7.15. Intercreditor Agreement.

(a) Reference is made to the Intercreditor Agreement. Notwithstanding anything herein to the contrary, the liens and security interests granted to the Administrative Agent, for the benefit of the Beneficiaries, pursuant to this Agreement and the exercise of any right or remedy by the Secured Party and the other Beneficiaries hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of the Intercreditor Agreement and this Agreement, the provisions of the Intercreditor Agreement shall control.

(b) Notwithstanding anything in this Agreement to the contrary, prior to the Discharge of First Lien Obligations (as defined in the Intercreditor Agreement) (x) to the extent any Grantor is required hereunder to deliver Collateral to the Secured Party for purposes of possession and control and is unable to do so as a result of having previously delivered such Collateral to the First Lien Administrative Agent in accordance with the terms of the First Lien Loan Documents and the Intercreditor Agreement, such Grantor's obligations hereunder with respect to such delivery shall be deemed satisfied by the delivery to the First Lien Administrative Agent, acting as a gratuitous bailee of the Secured Party, and (y) for purposes of any representation in this Agreement, delivery of Collateral, or the granting of control over Collateral, to the First Lien Administrative Agent shall be deemed to include delivery of the Collateral, or the granting of control over Collateral, to the Secured Party.

[The remainder of this page is intentionally left blank.]

TK Draft 9/17/15

IN WITNESS WHEREOF, Grantor has executed and delivered this Agreement as of the date first-above written.

GRANTOR:

ERG PLAN TRUST

By: _____

Name:

Title:

Address for Notices:

[Address 1]

[Address 2]

[City, State Zip]

[Attn: _____]

TK Draft 9/17/15

SCHEDULE 1
to
PLEDGE AGREEMENT

EQUITY AND RELATED MATTERS

<u>Grantor</u>	<u>Issuer</u>	<u>Type of Equity Interest</u>	<u>Percentage Interest</u>	<u>Certificate No.</u>	<u>Agreements</u>
ERG Plan Trust	ERG Intermediate Holdings, LLC	Non unitized limited liability company membership interest	100%	1	Amended and Restated Company Agreement dated as of [], 2015

TK Draft 9/17/2015

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO

Thompson & Knight LLP
One Arts Plaza
1722 Routh Street, Suite 1500
Dallas, Texas 75201-2533
Attention: Jerry Sanders

Space above for Recorder's Use

AMENDED AND RESTATED MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

REFERENCE IS MADE TO THE INTERCREDITOR AGREEMENT DATED AS OF THE DATE HEREOF AMONG MORTGAGOR, CLMG CORP., AS FIRST LIEN ADMINISTRATIVE AGENT, AND CLMG CORP., AS SECOND LIEN ADMINISTRATIVE AGENT. IN THE EVENT OF ANY CONFLICT OR INCONSISTENCY BETWEEN THE PROVISIONS OF THE INTERCREDITOR AGREEMENT AND THIS AGREEMENT, THE PROVISIONS OF THE INTERCREDITOR AGREEMENT SHALL CONTROL.

CA

When recorded or filed, return to:
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201
Attn: Jerry Sanders

AMENDED AND RESTATED MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

FROM

ERG RESOURCES, L.L.C.

TO

LAWRENCE C. ADAMS, TRUSTEE

FOR THE BENEFIT OF

CLMG CORP., AGENT

Dated [_____], 2015

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS, AMONG OTHER THINGS, (A) GOODS WHICH ARE OR ARE TO BECOME FIXTURES RELATED TO THE REAL PROPERTY DESCRIBED HEREIN, AND (B) AS-EXTRACTED COLLATERAL RELATED TO THE REAL PROPERTY DESCRIBED HEREIN (INCLUDING OIL, GAS AND OTHER MINERALS AND ACCOUNTS ARISING OUT OF THE SALE AT THE WELLHEAD OR MINEHEAD THEREOF). THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE, MORTGAGE, OR COMPARABLE RECORDS OF THE COUNTIES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING AND AS A FINANCING STATEMENT COVERING AS-EXTRACTED COLLATERAL. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

THIS DOCUMENT PREPARED BY:

Debra Villarreal
Thompson & Knight, L.L.P.
1722 Routh Street, Suite 1500
Dallas, Texas 75201

AMENDED AND RESTATED MORTGAGE, DEED OF TRUST,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this “**Mortgage**”)

RECITALS

A. ERG Resources, L.L.C., a Texas limited liability company (“**Mortgagor**”), CLMG Corp. as administrative agent, and the lenders party thereto entered into that certain Credit Agreement dated as of January 24, 2013, as amended by that certain First Amendment to Credit Agreement dated as of August 14, 2014 (as so amended, the “**Existing Credit Agreement**”), pursuant to which the lenders party thereto made certain loans and other extensions of credit and provided certain commitments to Mortgagor.

B. In order to induce the lenders under the Existing Credit Agreement to enter into the Existing Credit Agreement, Mortgagor executed that certain Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing dated as of January 24, 2013 (as amended or supplemented to the date hereof, the “**Existing Mortgage**”), which was recorded as set forth in Annex I attached hereto.

C. Mortgagor, CLMG Corp., as administrative agent (“**Agent**”), and certain lenders (collectively, the “**Lenders**”) are parties to the Amended and Restated Credit Agreement dated as of _____, 2015 (as from time to time amended, supplemented or restated, the “**Credit Agreement**”), which Credit Agreement amends and restates the Existing Credit Agreement in its entirety.

D. Pursuant to the Credit Agreement, Mortgagor is required to execute and deliver this Mortgage to secure its obligations under the Credit Agreement, and Mortgagor has duly authorized the execution, delivery and performance of this Mortgage.

ARTICLE I.

Granting Clauses; Secured Indebtedness

Section 1.1. Grant and Mortgage. Mortgagor, for and in consideration of the sum of One Thousand Dollars (\$1,000) to Mortgagor in hand paid, and in order to secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN, WARRANT AND SET OVER to Lawrence C. Adams, Trustee (the “**Trustee**”), for the benefit of Agent, the Lenders and the other Secured Parties (as herein defined), and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and as allowed by applicable law) with respect to those of the following described properties, rights and interests (the “**Mortgaged Properties**”):

A. The oil, gas or other mineral leases, properties, mineral servitudes and mineral rights that are described in Exhibit A attached hereto and made a part hereof;

B. Without limitation of the foregoing, all other right, title and interest of Mortgagor of whatever kind or character (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in and to (i) the leases or other agreements described in Exhibit A hereto, together with all renewals, extensions, substitutions, ratifications, supplements and replacements thereto, (ii) any other leases or agreements which cover or pertain to the lands described or referred to in Exhibit A, even if such leases or other agreements are not described or

are incorrectly or insufficiently described on Exhibit A, together with all renewals, extensions, substitutions, ratifications, supplements and replacements thereto, and (iii) the lands described or referred to in Exhibit A (or described or referred to in any of the instruments described or referred to in Exhibit A), in each case without regard to any limitations as to specific lands or depths that may be set forth in Exhibit A hereto or in any of the leases or other agreements described in Exhibit A hereto;

C. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to or under all presently existing and hereafter created oil, gas or mineral unitization, pooling or communitization agreements, declarations or orders, and in and to the properties, rights and interests covered and the units created thereby (including units formed under orders, rules, regulations or other official acts of any federal, state or other authority having jurisdiction), which cover, affect or otherwise relate to the properties, rights and interests described in clauses A or B above;

D. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to or under all presently existing and hereafter created operating agreements, equipment leases, production sales contracts, purchase, exchange and processing contracts and agreements, transportation agreements, utility agreements, gathering agreements, gas balancing agreements, farmout or farm-in agreements, salt water disposal agreements, area of mutual interest agreements, licenses, permits, and other contracts, agreements or regulatory approvals which cover, affect, or otherwise relate to the properties, rights and interests described in clauses A, B or C above or to the operation of such properties, rights and interests or to the production, exchange, treating, handling, storage, processing, transporting, sale, purchase, or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests (including those contracts listed in Exhibit A hereto), as same may be amended or supplemented from time to time;

E. All of Mortgagor's rights, titles and interests (whether now owned or hereafter acquired by agreement or operation of law or otherwise) in, to and under all improvements, facilities, infrastructure, equipment, fixtures, and other real, immovable, personal or movable property (including all platforms, wells, pumping units, wellhead equipment, tanks, pipelines, flow lines, gathering lines, compressors, dehydration units, separators, meters, buildings, injection facilities, salt water disposal facilities, and power, telephone and telegraph lines), and all fee interests, easements, servitudes, rights-of-way, surface leases, licenses, permits and other surface rights, which are now or hereafter used, or held for use, in connection with the properties, rights and interests described in clauses A, B, C or D above, or in connection with the operation of such properties, rights and interests, or in connection with the treating, handling, storing, processing, transporting or marketing of oil, gas, other hydrocarbons, or other minerals produced from (or allocated to) such properties, rights and interests; and

F. All of Mortgagor's rights, estates, powers and privileges appurtenant to any of the foregoing.

TO HAVE AND TO HOLD the Mortgaged Properties unto the Trustee, and its successors or substitutes in this trust, and to its or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth. Mortgagor will warrant and defend title to the Property (as hereinafter defined), free and clear of all liens, security interests and encumbrances except for "**Permitted Liens**" (as defined in the Credit Agreement, and herein so called) against the claims and demands of all Persons claiming to or claim the same on any part thereof.

Section 1.2. Scope of Mortgage. This Mortgage is a mortgage, a security agreement, a financing statement and an assignment. This Mortgage covers real property, immovable property, movable property, and personal property (including goods that are or are to become fixtures and as-extracted collateral), and all proceeds thereof.

Section 1.3. Grant of Security Interest. In order to further secure the payment of the secured indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent (as herein defined) for the benefit of itself, the Lenders and the other Secured Parties a security interest in the entire interest of Mortgagor (whether now owned or hereafter acquired by operation of law or otherwise) in and to:

(a) the Mortgaged Properties, to the extent the Mortgaged Properties consist of fixtures and personal property;

(b) all oil, gas, other hydrocarbons, and other minerals at any time produced from or allocated to the Mortgaged Properties and all products processed or obtained therefrom (herein collectively called the **"Production"**), together with all accounts arising out of the sale of Production and all other proceeds of Production (regardless of whether or not the Production, such accounts and such proceeds constitute "as extracted collateral" under the UCC), and all liens and security interests securing payment of the proceeds of Production, including those liens and security interests provided for under (i) statutes enacted in the jurisdictions in which the Mortgaged Properties are located, or (ii) statutes made applicable to the Mortgaged Properties under federal law (or some combination of federal and state law);

(c) without limitation of any other provisions of this Section 1.3, all payments received in lieu of Production (regardless of whether such payments accrued, or the events which gave rise to such payments occurred on, before or after the date hereof), including "take or pay" payments and similar payments, payments received in settlement of or pursuant to a judgment rendered with respect to take or pay or similar obligations or other obligations under a production sales contract, payments received in buyout or buydown or other settlement of a production sales contract, and payments received under a gas balancing or similar agreement as a result of (or received otherwise in settlement of or pursuant to judgment rendered with respect to) rights held by Mortgagor as a result of Mortgagor (or its predecessors in title) taking or having taken less gas from lands covered by a Mortgaged Property (or lands pooled or unitized therewith) than their ownership of such Mortgaged Property would entitle them to receive (the payments described in this subsection (c) being herein called **"Payments in Lieu of Production"**);

(d) all equipment, inventory, improvements, fixtures, accessions, goods, and other personal property or movable property of whatever nature, now or hereafter located on or used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all licenses and permits of whatever nature now or hereafter used or held for use in connection with the Mortgaged Properties (or in connection with the operation thereof or the treating, handling, storing, processing, transporting, or marketing of Production), and all renewals or replacements of the foregoing or substitutions for the foregoing;

(e) all accounts, contracts, contract rights, choses in action (i.e., rights to enforce contracts or to bring claims thereunder) and general intangibles of any kind (regardless of whether the same arose, or the events which gave rise to the same occurred, on or before or after the date hereof), in any way related to the Mortgaged Properties, the operation thereof (whether Mortgagor is operator or non-operator or otherwise), or the treating, handling, separation,

stabilization, storing, processing, transporting, gathering, sale or marketing of Production (including any of the same relating to payment of proceeds of Production or to payment of amounts which could constitute Payments in Lieu of Production);

(f) without limitation of or by the foregoing, all rights and interests of Mortgagor under any Hedging Contract now or hereafter existing;

(g) all geological, geophysical, engineering, accounting, title, legal, and other technical or business data concerning the Mortgaged Properties, the Production or any other item of Property (as hereinafter defined) which data is now or hereafter in the possession of Mortgagor or in which Mortgagor can otherwise grant a security interest, and all books, files, records, magnetic media, and other forms of recording or obtaining access to such data;

(h) without limitation of or by any of the foregoing, all rights, titles and interests now owned or hereafter acquired by Mortgagor in any and all goods, inventory, equipment, as-extracted collateral, documents, money, instruments, intellectual property, certificated securities, uncertificated securities, investment property, letters of credit, rights to proceeds of written letters of credit and other letter-of-credit rights, commercial tort claims, deposit accounts, payment intangibles, general intangibles, contract rights, chattel paper (including electronic chattel paper and tangible chattel paper), rights to payment evidenced by chattel paper, software, supporting obligations and accounts, wherever located, and all rights and privileges with respect thereto (all of the properties, rights and interests described in subsections (a), (b), (c), (d), (e), (f) and (g) above, subsection (i) below, and this subsection (h) being herein sometimes collectively called the “**Collateral**”); and

(i) all proceeds of the Collateral (the Mortgaged Properties, the Collateral and the proceeds of the Mortgaged Properties and of the Collateral being herein sometimes collectively called the “**Property**”);

provided, however, that if the grant of a security interest or Lien under Section 1.1 or this Section 1.3 with respect to any contract, easement, right of way, surface lease, or personal property lease is prohibited thereunder and the violation of such prohibition would cause Mortgagor to lose its interest in or rights with respect to such contract, easement, right of way, surface lease, personal property lease or other agreement, then Mortgagor shall be deemed not to have granted such security interest or Lien therein or thereon to the extent that such prohibition is enforceable and applicable.

Except as otherwise expressly provided in this Mortgage, all terms in this Mortgage relating to the Collateral and the grant of the foregoing security interest which are defined in the UCC, as defined below, shall have the meanings assigned to them in Article 9 (or, absent definition in Article 9, in any other Article) of the UCC, as those meanings may be amended, revised or replaced from time to time. Notwithstanding the foregoing, the parties intend that the terms used herein which are defined in the UCC have, at all times, the broadest and most inclusive meanings possible. Accordingly, if the UCC shall in the future be amended or held by a court to define any term used herein more broadly or inclusively than the UCC in effect on the date of this Mortgage, then such term, as used herein, shall be given such broadened meaning. If the UCC shall in the future be amended or held by a court to define any term used herein more narrowly, or less inclusively, than the UCC in effect on the date of this Mortgage, such amendment or holding shall be disregarded in defining terms used in this Mortgage.

Section 1.4. Loan Documents and Other Obligations. This Mortgage is made to secure and enforce the payment and performance of the following obligations, indebtedness, loans and liabilities:

(a) All indebtedness and other obligations of Mortgagor now or hereafter incurred or arising pursuant to the provisions of the Credit Agreement, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part;

(b) The “**Loans**” (as defined in the Credit Agreement and used with the same meaning herein) in the aggregate principal amount of \$[372,000,000]¹ made by Lenders to Mortgagor pursuant to the Credit Agreement, and all promissory notes evidencing such Loans, bearing interest as now or hereafter provided in the Credit Agreement and having a final maturity date on or before [____], 2018² unless otherwise extended pursuant to the Credit Agreement or by amendment thereto;

(c) All indebtedness and other obligations of Guarantors now or hereafter incurred or arising pursuant to the provisions of that certain Amended and Restated Guaranty dated as of _____, 2015, made by Guarantors in favor of Agent, Lenders and the other Secured Parties and all supplements thereto and amendments or modifications thereof, and all agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part (such Guaranty as the same may from time to time be supplemented, amended or modified, and all other agreements given in substitution therefor or in restatement, renewal or extension thereof, in whole or in part, being herein called the “**Guaranty**”);

(d) All other “**Secured Obligations**”, as defined in the Credit Agreement, and all other indebtedness and other obligations owing to any Secured Party that are now or hereafter owing, incurred or arising pursuant to the provisions of the Credit Agreement, this Mortgage or any other instrument now or hereafter evidencing, governing or securing the “**secured indebtedness**” (as hereinafter defined) or any part thereof or otherwise executed in connection with any advance or loan evidenced or governed by the Credit Agreement (the Credit Agreement, any and all promissory notes issued thereunder, this Mortgage and such other instruments being herein sometimes collectively called the “**Loan Documents**”); and

(e) All interest on any of the foregoing, whether presently or hereafter agreed to, and all costs and expenses of Trustee and Agent in enforcing their rights and remedies hereunder.

Without limiting the generality of the foregoing, this Mortgage secures the payment of all amounts that constitute part of the secured indebtedness and would be owed by Mortgagor to any Lender under any Loan Document but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving Mortgagor.

Section 1.5 Certain Defined Terms.

(a) The indebtedness referred to in Section 1.4, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the “**secured indebtedness**” or the “**indebtedness secured hereby**”.

(b) “**Applicable Rate**” means the Default Rate (as defined in the Credit Agreement).

¹ NTD: To include accrued and unpaid interest (including all post-petition interest) through the Closing Date.

² NTD: To be three years from the Closing Date.

(c) **“Credit Parties”** means, collectively, Mortgagor and each Guarantor, and **“Credit Party”** means any of them.

(d) **“Guarantors”** means, collectively, Parent and each Person that is directly or indirectly (through one or more intermediaries) controlled by or owned more than fifty percent by Mortgagor, and **“Guarantor”** means any of them.

(e) **“Hedging Contract”** means (a) any agreement providing for options, swaps, floors, caps, collars, forward sales or forward purchases involving interest rates, commodities or commodity prices, equities, currencies, bonds, or indexes based on any of the foregoing, (b) any option, futures or forward contract traded on an exchange, and (c) any other derivative agreement or other similar agreement or arrangement.

(f) **“Indemnified Persons”** means Trustee, each Secured Party, and each director, officer, agent, trustee, attorney, employee, representative and affiliate of or for any such Person.

(g) **“Parent”** means ERG Intermediate Holdings, LLC, a Texas limited liability company.

(h) **“Person”** means an individual, corporation, general partnership, limited partnership, limited liability company, association, joint stock company, trust or trustee thereof, estate or executor thereof, governmental agency or authority, or any other legally recognizable entity.

(i) **“Secured Parties”** means Agent, Lenders, and any other Person to which any Secured Obligation is owed.

(j) **“UCC”** means the Uniform Commercial Code as enacted from time to time as part of the laws applicable to this Mortgage pursuant to Section 5.23.

ARTICLE II.

Representations, Warranties and Covenants

Section 2.1. Mortgagor represents, warrants, and covenants as follows:

(a) Title and Liens. Mortgagor has, and Mortgagor covenants to maintain, good and defensible title to the fee interests in real property and the oil and gas leasehold interests comprising the Property, in each case free and clear of all liens, security interests, and encumbrances except for Permitted Liens. The ownership by Mortgagor of the Mortgaged Properties does and will, with respect to each well or unit identified on Schedule I attached hereto and made a part hereof, entitle Mortgagor to receive (subject to the terms and provisions of this Mortgage) a decimal or percentage share of the oil, gas and other hydrocarbons produced from, or allocated to, such well or unit equal to not less than the decimal or percentage share set forth, for such well or unit, in the column headed “Net Revenue Interest,” “NRI” or words of similar import on Schedule I, and cause Mortgagor to be obligated to bear a decimal or percentage share of the cost of operation of such well or unit equal to not more than the decimal or percentage share set forth for such well or unit in the column headed “Working Interest,” “WI”, or words of similar import on Schedule I. The above-described shares of production which Mortgagor is entitled to receive and shares of expenses which Mortgagor is obligated to bear are not and will not be subject to change (other than changes which arise pursuant to non-consent provisions of any

applicable operating agreements in connection with operations hereafter proposed), except, and only to the extent that, such changes are reflected in Schedule I.

(b) Defense of Mortgage. If the validity or priority of this Mortgage or of any rights, titles, liens or security interests created or evidenced hereby with respect to the Property or any part thereof or the title of Mortgagor to the Property shall be endangered or questioned or shall be attacked directly or indirectly or if any legal proceedings are instituted against Mortgagor with respect thereto, Mortgagor will give prompt written notice thereof to Agent and at Mortgagor's own cost and expense will diligently endeavor to cure any defect that may be developed or claimed, and will take all necessary and proper steps for the defense of such legal proceedings, including the employment of counsel, the prosecution or defense of litigation and the release or discharge of all adverse claims, and each of Trustee and Agent (whether or not named as a party to legal proceedings with respect thereto) is hereby authorized and empowered to take such additional steps as in its judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Mortgage and the rights, titles, liens and security interests created or evidenced hereby, including the employment of independent counsel, the prosecution or defense of litigation, the compromise or discharge of any adverse claims made with respect to the Property, the purchase of any tax title and the removal of prior liens or security interests except for Permitted Liens, and all expenditures so made of every kind and character shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent or Trustee (as the case may be) and shall bear interest from the date expended until paid at the rate described in Section 2.3 hereof, and the party incurring such expenses shall be subrogated to all rights of the Person receiving such payment.

(c) Insurance. Mortgagor will carry insurance as required under the Credit Agreement. In the event of foreclosure of this Mortgage, or other transfer of title to the Property in extinguishment in whole or in part of the secured indebtedness, all right, title and interest of Mortgagor in and to such policies then in force concerning the Property and all proceeds payable thereunder shall, to the maximum extent permitted under applicable law, thereupon vest in the purchaser at such foreclosure or other transferee in the event of such other transfer of title.

(d) Further Assurances. Mortgagor will, on request of Agent, (i) promptly correct any defect, error or omission which may be discovered in the contents of this Mortgage, or in any other Loan Document, or in the execution or acknowledgment of this Mortgage or any other Loan Document; and (ii) execute, acknowledge, deliver and record or file such further instruments (including further deeds of trust, mortgages, security agreements, financing statements, continuation statements, and assignments of production, accounts, funds, contract rights, general intangibles, and proceeds) and do such further acts as may be reasonably necessary to carry out more effectively the purposes of this Mortgage and the other Loan Documents and to more fully identify and subject to the liens and security interests hereof any property intended to be covered hereby, including any renewals, additions, substitutions, replacements, or appurtenances to the Property. Mortgagor shall pay all reasonable costs connected with any of the foregoing.

(e) Not a Foreign Person. Mortgagor is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, (hereinafter called the "**Code**"), Sections 1445 and 7701 (i.e. Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 2.2. Compliance by Operator. As to any Mortgaged Property that is not a working interest, Mortgagor agrees to take all commercially reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor to cause the owner or owners of the working interest in or related to such Mortgaged Property to comply with Mortgagor's covenants and agreements contained herein with respect to such Mortgaged Property; and as to any part of the Mortgaged Properties that is a working interest but is operated by a Person other than Mortgagor, Mortgagor agrees to take all commercially reasonable action and to exercise all rights and remedies as are reasonably available to Mortgagor (including, but not limited to, all rights under any operating agreement) to cause such Person to comply with covenants and agreements contained herein with respect to such Mortgaged Property.

Section 2.3. Performance on Mortgagor's Behalf. Mortgagor agrees that, if Mortgagor fails to perform any act or to take any action which Mortgagor is required to perform or take hereunder or under any of the Loan Documents, or to pay any money which hereunder Mortgagor is required to pay and any such failure constitutes an Event of Default, Agent, in Mortgagor's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Agent and any money so paid by Agent shall be a demand obligation owing by Mortgagor to Agent (which obligation Mortgagor hereby expressly promises to pay) and Agent, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by Mortgagor to Trustee and/or Agent and/or any Lender pursuant to this Section 2.3 or other sections of this Mortgage that specifically refer to this Section 2.3 shall bear interest each day, from the date of such expenditure or payment until paid, at the Applicable Rate; all such amounts, together with such interest thereon, shall be a part of the secured indebtedness and shall be secured by this Mortgage.

Section 2.4. Recording. Mortgagor will cause this Mortgage and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Agent shall reasonably request and will pay all such recording, filing, re recording and refiling taxes, fees and other charges.

Section 2.5. Release of Mortgage; Survival of Indemnities; Reinstatement. If all of the secured indebtedness shall be paid in full and no further obligation shall exist to provide credit or advance funds to Mortgagor or the maker of any promissory note secured hereby or any other obligor that owes secured indebtedness, then, at Mortgagor's request and expense, Agent shall execute a release of this Mortgage as provided in the Credit Agreement. Notwithstanding any release of this Mortgage (and whether or not expressly reserved in any instrument of release), the indemnifications and other rights that this Mortgage or the Credit Agreement contemplate will continue in effect following the release hereof and shall continue in effect unaffected by such release. If any payment of any secured indebtedness is held to constitute a preference or a voidable transfer under applicable state or federal laws, or if for any other reason any Lender, Agent or any Secured Party is required to refund such payment to the payor thereof or to pay the amount thereof to any third party, this Mortgage shall be reinstated to the extent of such payment or payments.

ARTICLE III.

Assignment of Production, Accounts, and Proceeds

Section 3.1. Assignment of Production and Production Proceeds. Mortgagor does hereby absolutely and unconditionally assign, transfer and set over to Agent (a) all Production and all other as-extracted collateral that relates or accrues to Mortgagor's interests in the Mortgaged Properties and (b) all proceeds of the foregoing (including all as-extracted collateral constituting proceeds) and all Payments in

Lieu of Production (which proceeds and Payments in Lieu of Production are herein collectively called “**Production Proceeds**”), together with the immediate and continuing right to collect and receive such Production Proceeds. Mortgagor directs and instructs any and all purchasers of any Production to pay to Agent all of the Production Proceeds accruing to Mortgagor’s interest until such time as such purchasers have been furnished with evidence that all secured indebtedness has been paid and that this Mortgage has been released. Mortgagor agrees that no purchaser of Production shall have any responsibility for the application of any funds paid to Agent.

Section 3.2. Effectuating Payment of Production Proceeds to Agent. Mortgagor agrees to execute and deliver any and all transfer orders, division orders and other instruments that may be requested by Agent or that may be required by any purchaser of any Production for the purpose of effectuating payment of the Production Proceeds to Agent. If under any existing sales agreements, other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, Mortgagor's interest in all Production Proceeds under such sales agreements and in all other Production Proceeds which for any reason may be paid to Mortgagor shall, when received by Mortgagor, constitute trust funds in Mortgagor's hands and shall be immediately paid over to Agent. Without limitation upon any of the foregoing, Mortgagor hereby constitutes and appoints Agent as Mortgagor's special attorney-in-fact (with full power of substitution, either generally or for such periods or purposes as Agent may from time to time prescribe), in the name, place and stead of Mortgagor to do any and every act and exercise any and every power that Mortgagor might or could do or exercise personally with respect to all Production and Production Proceeds (the same having been assigned by Mortgagor to Agent pursuant to Section 3.1 hereof), expressly including, but not limited to, the right, power and authority to:

(a) execute and deliver in the name of Mortgagor any and all transfer orders, division orders, letters in lieu of transfer orders, indemnifications, certificates and other instruments of every nature that may be requested or required by any purchaser of Production from any of the Mortgaged Properties for the purposes of effectuating payment of the Production Proceeds to Agent or which Agent may otherwise deem necessary or appropriate to effect the intent and purposes of the assignment contained in Section 3.1; and

(b) if under any production sales agreements other than division orders or transfer orders, any Production Proceeds are required to be paid by the purchaser to Mortgagor so that under such existing agreements payment cannot be made of such Production Proceeds to Agent, to make, execute and enter into such sales agreements or other agreements as are necessary to direct Production Proceeds to be payable to Agent;

giving and granting unto said attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever necessary and requisite to be done as fully and to all intents and purposes, as Mortgagor might or could do if personally present; and Mortgagor shall be bound thereby as fully and effectively as if Mortgagor had personally executed, acknowledged and delivered any of the foregoing certificates or documents. The powers and authorities herein conferred upon Agent may be exercised by Agent through any Person who, at the time of the execution of the particular instrument, is an officer of Agent. The power of attorney herein conferred is granted for valuable consideration and hence is coupled with an interest and is irrevocable so long as the secured indebtedness, or any part thereof, shall remain unpaid. All Persons dealing with Agent or any substitute shall be fully protected in treating the powers and authorities conferred by this paragraph as continuing in full force and effect until advised by Agent that all the secured indebtedness is fully and finally paid. Agent may, but shall not be obligated to, take such action as it deems appropriate in an effort to collect the Production Proceeds and any reasonable expenses (including reasonable attorney's fees) so incurred by Agent shall be a demand obligation of

Mortgagor and shall be part of the secured indebtedness, and shall bear interest each day, from the date of such expenditure or payment until paid, at the Applicable Rate.

Section 3.3. Change of Purchaser. To the extent an Event of Default has occurred and is continuing, should any Person now or hereafter purchasing or taking Production fail to make payment promptly to Agent of the Production Proceeds after receipt of any written demand required by Section 3.7 hereof, Agent shall, subject to then existing contractual prohibitions, have the right to make, or to require Mortgagor to make, a change of purchaser, and the right to designate or approve the new purchaser, and Agent shall have no liability or responsibility in connection therewith so long as ordinary care is used in making such designation.

Section 3.4. Application of Production Proceeds. All Production Proceeds received by Agent shall be applied or held by Agent in accordance with the provisions of the Credit Agreement.

Section 3.5. Release From Liability; Indemnification. Agent and its successors and assigns are hereby released and absolved from all liability for failure to enforce collection of the Production Proceeds and from all other responsibility in connection therewith, except the responsibility of each to account to Mortgagor for funds actually received by each. Mortgagor agrees to indemnify and hold harmless each Indemnified Person from and against all claims, demands, liabilities, losses, damages (including without limitation consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation reasonable attorneys' fees and expenses) imposed upon, asserted against or incurred or paid by any Indemnified Person by reason of the assertion that any Indemnified Person received, either before or after payment in full of the secured indebtedness, Production Proceeds or other funds claimed by third Persons (and/or funds attributable to sales of Production which (i) were made at prices in excess of the maximum price permitted by applicable law or (ii) were otherwise made in violation of laws, rules, regulations and/or orders governing such sales), and Agent shall have the right to defend against any such claims or actions, for the benefit of itself and the other Indemnified Persons, employing attorneys of its own selection, and if not furnished with indemnity satisfactory to Agent, each Indemnified Person shall have the right to compromise and adjust any such claims, actions and judgments, and in addition to the rights to be indemnified as herein provided, all amounts paid by any Indemnified Person in compromise, satisfaction or discharge of any such claim, action or judgment, and all court costs, attorneys' fees and other expenses of every character expended by any Indemnified Person pursuant to the provisions of this section shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor and payable to Agent for the benefit of the Indemnified Persons and shall be secured hereby and bear interest, from the date expended until paid, at the Applicable Rate. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, foreclosure of this Mortgage or conveyance in lieu of foreclosure, or other termination, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. **WITHOUT LIMITATION, IT IS THE INTENTION OF MORTGAGOR AND MORTGAGOR AGREES THAT THE FOREGOING RELEASES AND INDEMNITIES SHALL APPLY TO EACH INDEMNIFIED PARTY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (AND/OR ANY OTHER) INDEMNIFIED PARTY.** However, such indemnities shall not apply to any particular Indemnified Person (but shall apply to the other Indemnified Persons) to the extent the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of such particular Indemnified Person.

Section 3.6. Mortgagor's Absolute Obligation to Pay Loans. Nothing herein contained shall detract from or limit the obligations of Mortgagor to pay the secured indebtedness in accordance with the terms thereof, regardless of whether the Production and Production Proceeds herein assigned are sufficient to pay same, and the rights under this Article III shall be cumulative of all other rights under the Loan Documents.

Section 3.7. Payment of Proceeds. In the event that, for its convenience Agent should elect with respect to the Mortgaged Property or any portions thereof not to exercise immediately its right to receive Production or proceeds or revenues therefrom, then the purchasers or other Persons obligated to make such payment shall continue to make payment to Mortgagor until such time as written demand has been made upon them by Agent that payment be made directly to Agent. Such failure to notify such purchasers or other Persons shall not in any way waive, remit or release the right of Agent to receive any payments not theretofore paid over to Mortgagor before the giving of written notice. In this regard, in the event payments are made direct to Agent, and then, at the request of Agent payments are, for a period of time, paid to Mortgagor, Agent shall nevertheless have the right, effective upon written notice, to require future payments be again made to it.

ARTICLE IV.

Remedies Upon Default

Section 4.1. Default. The term "Event of Default" as used in this Mortgage shall mean the occurrence of an "Event of Default" as defined in the Credit Agreement.

Section 4.2. Acceleration of Secured Indebtedness. The maturity of the secured indebtedness may be (and in certain circumstances shall automatically be) accelerated as provided in the Credit Agreement.

Section 4.3. Pre-Foreclosure Remedies. Upon the occurrence and during the continuance of an Event of Default, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection or preservation of the Property. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor, including, but not limited to, summary proceeding or restraining order. Mortgagor agrees to peacefully surrender possession of the Property if requested by Agent. All costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the Applicable Rate, all of which shall constitute a portion of the secured indebtedness and shall be secured by this Mortgage and by any other instrument securing the secured indebtedness. In connection with any action taken by Agent pursuant to this Section 4.3, **AGENT SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR OR ANY AFFILIATE OF MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT (INCLUDING AGENT'S OWN NEGLIGENCE OR STRICT LIABILITY) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF AGENT**, nor shall Agent be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising under any agreement forming a part of the Property or arising under any Permitted Lien or otherwise arising. Mortgagor hereby assents to, ratifies and confirms any and all actions of Agent with respect to the Property taken under this Section 4.3, other than gross negligence, willful misconduct or bad faith of Agent.

Section 4.4. Foreclosure.

(a) Upon the occurrence and during the continuance of an Event of Default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of Agent to sell the Mortgaged Properties, or any part thereof, as an entirety or in parcels as Agent may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale hereunder, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW TRUSTEE TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(b) Mortgagor specifically requests that a copy of any notice of default and a copy of any notice of sale under this Mortgage be mailed to Mortgagor at the address for Mortgagor specified in this Mortgage.

(c) Upon the occurrence of an Event of Default, Agent may exercise its rights of enforcement with respect to the Collateral under the UCC or any other statute in force in any state to the extent the same is applicable law. Cumulative of the foregoing and the other provisions of this Section 4.4:

(i) Agent may enter upon the Mortgaged Properties or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral; and

(ii) Agent may require Mortgagor to assemble the Collateral and make it available at one or more places reasonably designated by Agent to allow Agent to take possession or dispose of the Collateral; and

(iii) written notice mailed to Mortgagor as provided herein at least ten (10) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; and

(iv) in the event of a foreclosure of the liens and/or security interests created or evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Properties, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Properties is sold, the Collateral related thereto may be sold in connection therewith); and

(v) the expenses of sale provided for in clause FIRST of Section 4.7 shall include the reasonable expenses of retaking the Collateral, or any part thereof, holding the same and preparing the same for sale or other disposition; and

(vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 4.7 as if the same were sales proceeds; and

(vii) Agent shall have full power and authority to act as Mortgagor's attorney-in-fact, and Mortgagor hereby grants to Agent appropriate powers of attorney to act for and on behalf of Mortgagor, in all dealings with the Department of Interior and all other agencies, departments and subdivisions of the United States of America and of all states in all transactions relating to the Property or any part thereof. Mortgagor hereby authorizes and directs all such agencies, departments and subdivisions to rely upon any writing from Agent asserting that a default has occurred and is continuing, without inquiry into whether or not such default actually occurred and is continuing, and Mortgagor agrees that the exercising by Agent of such powers of attorney may be relied upon in all respects and, as between Mortgagor and such agency, department or subdivision, shall be binding upon Mortgagor.

(d) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Property shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Property shall be sold, and, if the proceeds of such sale of less than the whole of the Property shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Property. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. The Trustee or his successor or substitute, and the Agent acting under power of sale, respectively, may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded. Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the secured indebtedness or as to the occurrence of any Event of Default, or as to all of the secured indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given by Agent, or, with respect to any sale by the Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other act or thing having been duly done by any Person, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for the Trustee, Agent, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his/her or its possession, either at the time of or prior to such sale, the Property or any part thereof.

Section 4.5. Effective as Mortgage. This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence of an Event of Default may be foreclosed as to the Mortgaged Properties, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent. To the extent, if any, required to cause this instrument to be so effective as a mortgage as well as a deed of trust, Mortgagor hereby mortgages the Mortgaged Properties to Agent to secure the payment and performance of the secured indebtedness. In the event a foreclosure hereunder as to the Mortgaged Properties, or any part thereof, shall be commenced by Trustee, or his substitute or successor, Agent may at any time before the sale of such properties direct Trustee to abandon the sale, and may then institute suit for the foreclosure of this Mortgage as to such properties. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the

entry of a final judgment in said suit dismiss the same, and require Trustee, its substitute or successor, to sell the Mortgaged Properties, or any part thereof, in accordance with the provisions of this Mortgage.

Section 4.6. Receiver. In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence and during the continuance of an Event of Default, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership be incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any Person or Persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefor by Agent, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of Agent under Article III hereof. In the event a receiver is appointed, Mortgagor expressly waives the necessity for bond; provided that Mortgagor has received due notice of a hearing for the appointment of a receiver and an accounting by the receiver. Nothing herein is to be construed to deprive Agent or any other Secured Party of any other right, remedy or privilege it may now or hereafter have under the law to have a receiver appointed. Any money advanced by Agent in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall be secured hereby and bear interest, from the date of making such advancement by Agent until paid, at the Applicable Rate.

Section 4.7. Proceeds of Foreclosure. The proceeds of any sale held in foreclosure or other enforcement of the liens and/or security interests created or evidenced hereby shall be applied:

FIRST, to the payment of all costs and expenses incident to such foreclosure sale or other enforcement, including but not limited to all court costs and charges of every character in the event foreclosed by suit or any judicial proceeding and including, but not limited to, a reasonable fee to the Trustee if such sale was made by the Trustee acting under the provisions of Section 4.4(a);

SECOND, to the payment of the secured indebtedness in accordance with the Credit Agreement (or to be held as cash collateral in accordance therewith); and

THIRD, the remainder, if any there shall be, shall be paid to Mortgagor, or to Mortgagor's heirs, devisees, representatives, successors or assigns, or such other Persons as may be entitled thereto by law.

Section 4.8. Lender as Purchaser. Any Secured Party (or any Secured Parties acting together) shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests created or evidenced hereby, and any Secured Party purchasing at any such sale shall have the right to credit upon the amount of the bid made therefor, to the extent necessary to satisfy such bid, the secured indebtedness owing to such Secured Party, or if such Secured Party holds less than all of such indebtedness, the pro rata part thereof owing to such Secured Party, accounting to all other Secured Parties not joining in such bid in cash for the portion of such bid or bids apportionable to such non-bidding Secured Party or Secured Parties.

Section 4.9. Foreclosure as to Matured Debt. Upon the occurrence and during the continuance of an Event of Default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests created or evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made.

The proceeds of such sale shall be applied as provided in Section 4.7 except that the amount paid under clause SECOND thereof shall be only the matured portion of the secured indebtedness and any proceeds of such sale in excess of those provided for in clauses FIRST and SECOND (modified as provided above) shall be applied or held as provided in Section 3.4. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the secured indebtedness.

Section 4.10. Remedies Cumulative. All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests created or evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 4.11. Discretion as to Security. Agent and Trustee may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Agent in its sole and absolute discretion, and any such action (or any delay in taking or decision not to take such action) shall not in any way be considered as a waiver of any of the rights, benefits, liens or security interests created or evidenced by this Mortgage.

Section 4.12. Mortgagor's Waiver of Certain Rights. To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all Persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisal, valuation, stay of execution, redemption, any "one action" or "anti-deficiency" law or any other law which may prevent Agent, any Lender, and/or any Secured Party from bringing any action, including a claim for deficiency, before or after the commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other Persons claiming any interest in the Mortgaged Properties or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 4.13. Mortgagor as Tenant Post-Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors or assigns or any other Persons claiming any interest in the Property by, through or under Mortgagor are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day,

terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

ARTICLE V.

Miscellaneous

Section 5.1. Effective as a Financing Statement. This Mortgage, among other things, covers goods which are or are to become fixtures on the real/immovable property described herein, and covers as-extracted collateral relating to the real/immovable property described herein. This Mortgage shall be effective as a financing statement (i) filed as a fixture filing with respect to all fixtures included within the Property, (ii) covering as-extracted collateral with respect to all as-extracted collateral included within the Property (including, without limitation, all oil, gas, other minerals and other substances of value which may be extracted from the earth and all accounts arising out of the sale at the wellhead or minehead thereof, and (iii) covering all other Property. This Mortgage is to be filed for record in the real property records of each county where any part of the Mortgaged Properties is situated, and may also be filed in the offices of the Bureau of Land Management or the Bureau of Ocean Energy Management, Regulation and Enforcement or any federal, state or local agency (or any successor agencies). This Mortgage shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent from which information concerning the security interests hereunder may be obtained is the address of Agent set forth at the end of this Mortgage.

Section 5.2. Reproduction of Mortgage as Financing Statement. A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as a financing statement for any of the purposes referred to in Section 5.1. Without limiting any other provision herein, Mortgagor hereby authorizes Agent to file one or more financing statements, or renewal or continuation statements thereof, describing the Collateral as Agent deems appropriate (including any such financing statement, renewal or continuation statement that describes the Collateral as "all assets" or "all personal property" of Mortgagor).

Section 5.3. Notice to Account Debtors. In addition to, but without limitation of, the rights granted in Article III hereof, upon the occurrence and during the continuance of an Event of Default, Agent may notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Agent directly.

Section 5.4. Waivers. As provided in the Credit Agreement, Agent or Lenders may at any time and from time to time in writing waive compliance by Mortgagor with any covenant herein made by Mortgagor to the extent and in the manner specified in such writing, or consent to Mortgagor's doing any act which hereunder Mortgagor is prohibited from doing, or to Mortgagor's failing to do any act which hereunder Mortgagor is required to do, to the extent and in the manner specified in such writing, or release any part of the Property or any interest therein or any Production Proceeds from the lien and security interest of this Mortgage, without the joinder of Trustee. Any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document may be released from all or any part of such obligations without impairing or releasing the liability of any other

party. No such act shall in any way impair any rights or powers hereunder except to the extent specifically agreed to in such writing.

Section 5.5. No Impairment of Security. The lien, security interest and other security rights hereunder shall not be impaired by any indulgence, moratorium or release which may be granted, including, but not limited to, any renewal, extension or modification which may be granted with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which may be granted in respect of the Property (including without limitation Production Proceeds), or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness.

Section 5.6. Acts Not Constituting Waiver. Any Event of Default may be waived without waiving any other prior or subsequent Event of Default. Any Event of Default may be remedied without waiving the Event of Default remedied. Neither failure to exercise, nor delay in exercising, any right, power or remedy upon any Event of Default shall be construed as a waiver of such Event of Default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Mortgagor therefrom shall in any event be effective unless the same shall be in writing and signed by Agent and then such waiver or consent shall be effective only in the specific instances, for the purpose for which given and to the extent therein specified. No notice to or demand on Mortgagor in any case shall of itself entitle Mortgagor to any other or further notice or demand in similar or other circumstances. Acceptance of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of an Event of Default.

Section 5.7. Mortgagor's Successors. In the event the ownership of the Property or any part thereof becomes vested in a Person other than Mortgagor, then, without notice to Mortgagor, Trustee, Agent and the other holders of secured indebtedness may deal with such successor or successors in interest, with respect to this Mortgage and to the indebtedness secured hereby, in the same manner as with Mortgagor, without in any way vitiating or discharging Mortgagor's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance, and no extension of the time for the payment of the indebtedness secured hereby shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Mortgagor hereunder or for the payment of the secured indebtedness or performance of the obligations secured hereby or the liability of any other Person hereunder or for the payment of the indebtedness secured hereby.

Section 5.8. Place of Payment. All secured indebtedness which may be owing hereunder at any time by Mortgagor shall be payable in the State of [New York]³ at such place that is designated in the Credit Agreement (or if no such designation is made, at the address of Agent indicated at the end of this Mortgage), or at such other place in the State of New York as Agent may designate in writing.

Section 5.9. Subrogation to Existing Liens. To the extent that proceeds of the Loans have been used to pay indebtedness secured by any outstanding lien, security interest, charge or prior encumbrance against the Property, such proceeds have been advanced at Mortgagor's request, and the Lenders (and Trustee and Agent on behalf of the Lenders) shall be subrogated to any and all rights, security interests

³ NTD: Under review by Lender Parties.

and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, irrespective of whether said liens, security interests, charges or encumbrances are released, and it is expressly understood that, in consideration of the payment of such indebtedness, Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness.

Section 5.10. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Mortgage or if any part of the Property cannot be lawfully subject to the lien and security interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Mortgage.

Section 5.11. Compliance With Usury Laws. It is the intent of Mortgagor, Agent, Lenders and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that, as more fully provided in the Credit Agreement, none of the terms and provisions contained herein shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be collected, charged, taken, reserved, or received by applicable law from time to time in effect.

Section 5.12. Substitute Trustee. The Trustee may resign by an instrument in writing addressed to Agent, or Trustee may be removed at any time with or without cause by an instrument in writing executed by Agent. In case of the death, resignation, removal, or disqualification of Trustee, or if for any reason Agent shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein named trustee or any substitute or successor trustee, then Agent shall have the right and is hereby authorized and empowered to appoint a successor trustee, or a substitute trustee, without other formality than appointment and designation in writing executed by Agent and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the indebtedness secured hereby has been paid in full, or until the Property is sold hereunder. In the event the secured indebtedness is owned by more than one Person or entity, the holder or holders of not less than a majority in the amount of such indebtedness shall also have the right and authority to make the appointment of a successor or substitute trustee as provided for in the preceding sentence or to remove Trustee as provided in the first sentence of this section. Such appointment and designation by Agent shall be full evidence of the right and authority to make the same and of all facts therein recited. If Agent is a corporation or association and such appointment is executed in its behalf by an officer of such corporation or association, such appointment shall be conclusively presumed to be executed with authority and shall be valid and sufficient without proof of any action by the board of directors or any superior officer of the corporation or association. Agent may act through an agent or attorney-in-fact in substituting trustees. Upon the making of any such appointment and designation, all of the estate and title of Trustee in the Mortgaged Properties shall vest in the named successor or substitute Trustee and such successor or substitute shall thereupon succeed to, and shall hold, possess and execute, all the rights, powers, privileges, immunities and duties herein conferred upon Trustee (other than the benefits of the indemnities, immunities and releases provided herein and in the other Loan Documents, which will inure both to the former Trustee and to the successor or substitute Trustee); but nevertheless, upon the written request of Agent or of the successor or substitute Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor or substitute Trustee all of the estate and title in the Mortgaged Properties of the Trustee so ceasing to act, together with all the rights, powers, privileges, immunities and duties herein conferred upon the Trustee, and shall duly assign, transfer and deliver any of the properties and moneys held by said Trustee hereunder to said successor or substitute Trustee. All references herein to Trustee shall be deemed to refer to Trustee (including any successor or substitute appointed and designated as herein provided) from time to time acting hereunder.

Section 5.13. No Liability for Trustee. **THE TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ACT DONE BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, THE TRUSTEE'S NEGLIGENCE), EXCEPT FOR TRUSTEE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by the Trustee hereunder, believed by the Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or its successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorneys fees) which may be incurred by Trustee in the performance of his duties. The foregoing indemnities shall not terminate upon the release, foreclosure or other termination of this Mortgage but will survive such release, termination and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 2.3 hereof.

Section 5.14. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered in compliance with the Credit Agreement. Notwithstanding the foregoing, or anything else in the Loan Documents which may appear to the contrary, any notice given in connection with a foreclosure of the liens and/or security interests created hereunder, or otherwise in connection with the exercise by Agent, any Secured Party or Trustee of their respective rights hereunder or under any other Loan Document, which is given in a manner permitted by applicable law shall constitute proper notice; without limitation of the foregoing, notice given in a form required or permitted by statute shall (as to the portion of the Property to which such statute is applicable) constitute proper notice.

Section 5.15. Invalidity of Certain Provisions. A determination that any provision of this Mortgage is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Mortgage to any Person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other Persons or circumstances.

Section 5.16. Interpretation, etc. All references in this Mortgage to Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions refer to the Exhibits, Schedules, articles, sections, subsections, definitions and other subdivisions of this Mortgage unless expressly provided otherwise. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all amendments, supplements or restatements thereof. Titles appearing at the beginning of any subdivisions hereof are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Mortgage", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar import refer to this Mortgage as a whole and not to any particular subdivision unless expressly so limited. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive, and the word "including" (in its various forms) means "including without limitation". References to a Person's "discretion" means its sole and absolute discretion. Pronouns in masculine, feminine and neuter genders

shall be construed to include any other gender, and words in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns. This Mortgage has been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow this Mortgage to be construed against any party because of its role in drafting this Mortgage.

Section 5.17. Certain Consents. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Agent or any Secured Party is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of such party, and such party shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or the judgment of such party.

Section 5.18. Certain Obligations of Mortgagor. Without limiting Mortgagor's obligations hereunder, Mortgagor's liability hereunder shall extend to and include all post petition interest, expenses, and other duties and liabilities with respect to Mortgagor's obligations hereunder which would be owed but for the fact that the same may be unenforceable due to the existence of a bankruptcy, reorganization or similar proceeding.

Section 5.19. Authority of Agent. Agent and Lenders may, by agreement among themselves, provide for and regulate the exercise of rights and remedies hereunder, but, unless and until modified to the contrary in writing signed by all such Persons and recorded in the same counties as this Mortgage is recorded, (i) all Persons other than Mortgagor and its affiliates shall be entitled to rely on the releases, waivers, consents, approvals, notifications and other acts (including, without limitation, appointment of substitute or successor trustee, or trustees, hereunder and the bidding in of all or any part of the secured indebtedness held by any one or more Secured Parties, whether the same be conducted under the provisions hereof or otherwise) of Agent, without inquiry into any such agreements or the existence of required consent or approval of any Persons constituting Secured Parties and without the joinder of any party other than Agent in such releases, waivers, consents, approvals, notifications or other acts and (ii) all notices, requests, consents, demands and other communications required or permitted to be given hereunder may be given to Agent.

Section 5.20. Counterparts. This Mortgage may be executed in several counterparts, all of which are identical, except that, to facilitate recordation, certain counterparts hereof may include only that portion of Exhibit A and Schedule I which contains descriptions of the properties located in (or otherwise subject to the recording or filing requirements or protections of the recording or filing acts or regulations of) the recording jurisdiction in which the particular counterpart is to be recorded, and other portions of Exhibit A and Schedule I shall be included in such counterparts by reference only. All of the counterparts hereof shall constitute one and the same instrument. Executed counterparts of this Mortgage containing the entire Exhibit A and Schedule I have been retained by Mortgagor and Agent.

Section 5.21. Successors and Assigns. The terms, provisions, covenants, representations, indemnifications and conditions hereof shall be binding upon Mortgagor, and the successors and assigns of Mortgagor, and shall inure to the benefit of Agent, Trustee and the other Secured Parties and their respective successors and assigns, and shall constitute covenants running with the Mortgaged Properties. Should the agency under which Agent serves be terminated, or otherwise cease to exist, Lenders (including the respective successors and assigns of each Person constituting a Lender) shall be deemed to be the successors to Agent. All references in this Mortgage to Mortgagor, Agent, Trustee, Lenders, or Secured Parties shall be deemed to include all such successors and assigns.

Section 5.22. FINAL AGREEMENT OF THE PARTIES. THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Section 5.23. CHOICE OF LAW. WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF [NEW YORK]⁴ APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA], EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF AGENT, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS AND OTHER RIGHTS AND REMEDIES OF THE TRUSTEE OR THE AGENT GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.]

Section 5.24. WAIVER OF JURY TRIAL. MORTGAGOR HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY AND IRREVOCABLY WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FOREGOES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MORTGAGE, ANY OTHER LOAN DOCUMENT, OR ANY TRANSACTION CONTEMPLATED THEREBY OR ASSOCIATED THEREWITH, BEFORE OR AFTER MATURITY, IN EACH OF THE FOREGOING CASES WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. TRUSTEE, AGENT, ANY LENDER AND/OR ANY SECURED PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF MORTGAGOR TO A WAIVER OF ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY.

Section 5.25. Restatement of Prior Mortgages. The secured indebtedness is incurred in renewal and extension of indebtedness described in and secured by the Existing Mortgage. It is the desire and intention of the parties hereto to renew and extend all liens, rights, powers, privileges, superior titles, estates and security interests existing by virtue of the Existing Mortgage and in connection therewith, it is understood and agreed that this Mortgage restates and amends the Existing Mortgage in its entirety. This Mortgage renews and extends all liens, rights, powers, privileges, superior titles, estates and security interests existing by virtue of the Existing Mortgage, but the terms, provisions and conditions of such liens, powers, privileges, superior titles, estates and security interests shall hereafter be governed in all respects by this Mortgage and any amendments or supplements thereto.

Section 5.26. Intercreditor Agreement.

⁴ NTD: Under review.

(a) Reference is made to the Intercreditor Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Mortgagor, CLMG Corp., as First Lien Administrative Agent (as defined therein), and CLMG Corp., as Second Lien Administrative Agent (as defined therein). Notwithstanding anything herein to the contrary, the liens and security interests granted to the Administrative Agent, for the benefit of the Beneficiaries, pursuant to this Agreement and the exercise of any right or remedy by the Secured Party and the other Beneficiaries hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of the Intercreditor Agreement and this Agreement, the provisions of the Intercreditor Agreement shall control.

(b) Notwithstanding anything in this Agreement to the contrary, prior to the Discharge of First Lien Obligations (as defined in the Intercreditor Agreement) (y) to the extent any Grantor is required hereunder to deliver Collateral to the Secured Party for purposes of possession and control and is unable to do so as a result of having previously delivered such Collateral to the First Lien Administrative Agent in accordance with the terms of the First Lien Loan Documents and the Intercreditor Agreement, such Grantor’s obligations hereunder with respect to such delivery shall be deemed satisfied by the delivery to the First Lien Administrative Agent, acting as a gratuitous bailee of the Secured Party, and (z) for purposes of any representation in this Agreement, delivery of Collateral, or the granting of control over Collateral, to the First Lien Administrative Agent shall be deemed to include delivery of the Collateral, or the granting of control over Collateral, to the Secured Party.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this instrument is executed by Mortgagor on the date set forth in the respective acknowledgements below, to be effective for all purposes as of the date first written above.

ERG RESOURCES, L.L.C.

By: _____
Name: _____
Title: _____

The address of Agent is:

7195 Dallas Parkway
Plano, Texas 75024

The address of Mortgagor is:

[Address]
[City, State, Zip]

The address of the Trustee is:

Hunton & Williams LLP
1445 Ross Avenue Suite 3700
Dallas, Texas 75202

This instrument prepared by:

Debra Villarreal
Thompson & Knight LLP
1722 Routh Street, Suite 1500
Dallas, Texas 75201

CLMG CORP.,
as Agent

By: _____
Name:
Title:

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF TEXAS

§

§

COUNTY OF HARRIS

§

On this _____ day of _____, 2015 before me, _____, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the persons or the entities upon behalf of which he acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Print Name: _____

My commission expires:

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF TEXAS

§
§
§

COUNTY OF _____

On this _____ day of _____, 2015 before me,
_____, personally appeared _____,
who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the
within instrument and acknowledged to me that he executed the same in his authorized capacity, and that
by his signature on the instrument the persons or the entities upon behalf of which he acted, executed the
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Print Name: _____

My commission expires:

ANNEX I

EXISTING MORTGAGE

Mortgage, Deed of Trust, Assignment, Security Agreement, Fixture Filing and Financing Statement
from ERG Resources, L.L.C. to Lawrence C. Adams, Trustee, for the benefit of CLMG Corp., as Agent,
dated January 24, 2013

Jurisdiction

Santa Barbara County, CA

Recording Data

Document No. 2013-0006360
Recorded 1/29/13

[ANNEX I]

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EXHIBIT G

Reorganized Debtor Operating Agreements

**AMENDED AND RESTATED COMPANY AGREEMENT OF
ERG INTERMEDIATE HOLDINGS, LLC
(a Texas limited liability company)**

This AMENDED AND RESTATED COMPANY AGREEMENT (this “Agreement”) of ERG Intermediate Holdings, LLC, a Texas limited liability company (the “Company”), dated as of September [▲], 2015, is adopted, executed and agreed to by the person identified as the ERG Plan Trustee on the signature page hereof (the “Plan Trustee”), in such person’s capacity as the trustee of the ERG Plan Trust, the sole member of the Company (the “Member”).

R E C I T A L S:

WHEREAS, the Company was formed as a Texas limited liability company pursuant to a certificate of formation filed on November 7, 2012 (the “Certificate”) with the Secretary of State of the State of Texas (the “Formation”);

WHEREAS, in connection with the Formation, the Company adopted that certain Company Agreement of the Company dated as of January 22, 2013 (the “Prior Agreement”);

WHEREAS, the Company and certain of its direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Cases”);

WHEREAS, pursuant to the Bankruptcy Cases, the Debtors entered into that certain Chapter 11 Plan of Reorganization dated September [▲], 2015 in Respect of the Debtors (as may be amended, modified or supplemented from time to time, the “Plan”), pursuant to which all of the membership interests in the Company shall be cancelled and new certificated membership interests in the Company shall be issued to the Member; and

WHEREAS, pursuant to the Plan, the Member must amend and restate the Prior Agreement as set forth herein to reflect the foregoing and implement the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and provisions hereinafter contained, the Member hereby adopts this Agreement as follows:

1. ***Formation.*** The Company has been formed as a Texas limited liability company by the filing of the Certificate under and pursuant to the Texas Business Organizations Code (as may be amended from time to time, the “TBOC”).

2. ***Term.*** The Company shall have perpetual existence.

3. ***Purposes.*** The purposes of the Company are (i) to engage, for the purpose of operating the California Assets (as defined in the Plan), one or more contract operators acceptable to the Exit Facility Lenders and the Prepetition Lenders (as such terms are defined in the Plan), pursuant to Section 7.8 of the Plan and (ii) to carry on any other lawful business, purpose or activity for which limited liability companies may be formed under the TBOC and

which is allowed by the Amended and Restated Prepetition Loan Documents (as defined in the Plan) and the Exit Facility Loan Documents (as defined in the Plan). The Company shall have all of the powers to conduct such business as permitted under the TBOC.

4. ***Sole Member.*** The Company shall have one member, and such sole member shall be the Member.

5. ***Allocation of Profits and Losses.*** The Member shall receive the allocation of all profits, losses, gains, deductions and credits with respect to the operations of the Company.

6. ***Contributions.*** Any investment in the Company will be made 100% by the Member. If, at any time, the revenues and other funds available to the Company are not adequate to meet its obligations, the Member may, in its sole and absolute discretion, make additional capital contributions in such amounts as it deems necessary. The Member will not at any time have any liability to the Company for any negative balance in its capital account except to the extent that such negative balance arose as the result of distributions in violation of this Agreement or applicable law.

7. ***Distributions.*** The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company, and (b) to enjoy all other rights, benefits and interests in the Company.

8. ***Certification of Membership Interests.*** The membership interests in the Company (the “Membership Interests”) shall be represented by certificates. Such certificate shall be in the form approved in the sole discretion of the Member and may set forth designations with regard to class of interest, capital contribution, voting rights, and any other matter that the Member deems appropriate. For purposes of providing for transfer of, perfection of a security interest in, and other relevant matters related to, a Membership Interest or other interest in the Company, each Membership Interest and other interest in the Company shall be deemed to be a “security” governed by Article 8 of the Uniform Commercial Code in effect in the State of Texas. The Member may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the party claiming the certificate of Membership Interest to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Member may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same and/or to give the Company a bond as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

9. ***Tax Characterization.*** The Company and the Member acknowledge that for United States federal income tax purposes, the Company shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the membership interests in the Company are owned solely by the Member, and no provision of this Agreement shall be construed otherwise.

10. **Management.** The management of the Company shall be exclusively vested in [▲], in its capacity as the trustee of the ERG Plan Trust (the “Manager”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Manager. The Manager shall make all decisions and elections for the Company and have the maximum authority permitted under the TBOC to bind the Company with respect to any matter, contract or agreement without the consent or approval of any other party.

11. **Officers.** The Manager may, from time to time, in its sole discretion, appoint and/or remove officers of the Company and delegate to such officers of the Company such duties and management authority as the Manager shall determine. The Manager has designated the following individuals to serve as the officers of the Company as set forth opposite their respective names below, such individual to serve until his or her successor is chosen by the Manager or until such person’s earlier death, resignation, retirement, disqualification or removal by the Manager:

[▲]	Chief Executive Officer
[▲]	Chief Operating Officer

No officer need be a resident of the State of Texas. Any officer may be removed as such, either with or without cause, by the Manager at any time. The officers shall be liable for errors or omissions in performing their duties with respect to the Company only in the case of gross negligence, willful misconduct or bad faith, but not otherwise.

12. **Registered Office and Agent.** The registered office and registered agent of the Company in the State of Texas shall be specified in the Certificates or as designated by the Member in the manner provided by applicable law.

13. **Maintenance of Books.** The Member shall keep or cause to be kept at the principal office of the Company or at such other location as the Member deems appropriate all books and records required to be maintained by applicable law.

14. **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Member and its successors and assigns.

15. **Assignment and Transfer.** The Member may assign or transfer, in whole or in part, the Membership Interest to a third person or persons.

16. **Admission of Substitute Member.** A person who acquires the Membership Interest by transfer or assignment shall be admitted to the Company as a member upon the execution of this Agreement or a counterpart of or amendment to this Agreement and thereupon shall become a “Member” for purposes of this Agreement.

17. **Fiscal Year.** The fiscal year of the Company shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is required. The Company shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

18. ***Liability of Members and Officers; Indemnification.***

(a) Neither the Member, the Manager nor any officer of the Company shall have any liability for the obligations or liabilities of the Company except to the extent provided herein or in the TBOC.

(b) The Company shall indemnify, defend and hold harmless the Member, the Manager and their respective affiliates, partners, officers, directors, stockholders, employees, agents and representatives, and the partners, stockholders, members, officers, directors, managers, employees, agents and representatives of such persons to the fullest extent permitted by the TBOC.

19. ***Dissolution.*** The Company shall dissolve and its business and affairs shall be wound up at such time, if any, as the Member may elect or as may be required under the TBOC. No other event will cause the Company to dissolve.

20. ***Governing Law.*** THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ITS CONFLICT-OF-LAWS RULES).

21. ***Amendments.*** This Agreement may be modified, altered, supplemented or amended at any time only by a written instrument executed by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Member has caused this Agreement to be duly executed to be effective as of the date first written above.

TRUSTEE OF THE ERG PLAN TRUST

[▲], Plan Trustee

**THIRD AMENDED AND RESTATED REGULATIONS
OF
ERG RESOURCES, L.L.C.
(a Texas limited liability company)**

These THIRD AMENDED AND RESTATED REGULATIONS (these “Regulations”) of ERG Resources, L.L.C., a Texas limited liability company (the “Company”), dated as of September [▲], 2015, are adopted, executed and agreed to by ERG Intermediate Holdings, LLC, a Texas limited liability company, as the sole member of the Company (the “Member”).

R E C I T A L S:

WHEREAS, the Company was formed as a Texas limited liability company pursuant to a certificate of formation filed on October 12, 1999 (the “Certificate”) with the Secretary of State of the State of Texas;

WHEREAS, the Company is governed by the Second Amended and Restated Regulations of the Company dated as of February 10, 2006, as supplemented by that Joinder Agreement, dated as of January 22, 2013, executed by the Member (collectively, the “Prior Regulations”);

WHEREAS, the Member, the Company and certain of the Company’s direct subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Cases”);

WHEREAS, pursuant to the Bankruptcy Cases, the Debtors entered into that certain Chapter 11 Plan of Reorganization dated September [▲], 2015 in Respect of the Debtors (as may be amended, modified or supplemented from time to time, the “Plan”), pursuant to which all of the membership interests in the Company shall revert in the Member and become certificated; and

WHEREAS, pursuant to the Plan, the Member must amend and restate the Prior Regulations as set forth herein to reflect the foregoing and implement the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and provisions hereinafter contained, the Member hereby adopts these Regulations as follows:

1. **Formation.** The Company has been formed as a Texas limited liability company by the filing of the Certificate under and pursuant to the Texas Business Organizations Code (as may be amended from time to time, the “TBOC”).

2. **Term.** The Company shall have perpetual existence.

3. **Purposes.** The purposes of the Company are (i) to engage, for the purpose of operating the California Assets (as defined in the Plan), one or more contract operators acceptable to the Exit Facility Lenders and the Prepetition Lenders (as such terms are defined in

the Plan), pursuant to Section 7.8 of the Plan and (ii) to carry on any other lawful business, purpose or activity for which limited liability companies may be formed under the TBOC and which is allowed by the Amended and Restated Prepetition Loan Documents (as defined in the Plan) and the Exit Facility Loan Documents (as defined in the Plan). The Company shall have all of the powers to conduct such business as permitted under the TBOC.

4. ***Sole Member.*** The Company shall have one member, and such sole member shall be the Member.

5. ***Allocation of Profits and Losses.*** The Member shall receive the allocation of all profits, losses, gains, deductions and credits with respect to the operations of the Company.

6. ***Contributions.*** Any investment in the Company will be made 100% by the Member. If, at any time, the revenues and other funds available to the Company are not adequate to meet its obligations, the Member may, in its sole and absolute discretion, make additional capital contributions in such amounts as it deems necessary. The Member will not at any time have any liability to the Company for any negative balance in its capital account except to the extent that such negative balance arose as the result of distributions in violation of these Regulations or applicable law.

7. ***Distributions.*** The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company, and (b) to enjoy all other rights, benefits and interests in the Company.

8. ***Certification of Membership Interests.*** The membership interests in the Company (the “Membership Interests”) shall be represented by certificates. Such certificate shall be in the form approved in the sole discretion of the Member and may set forth designations with regard to class of interest, capital contribution, voting rights, and any other matter that the Member deems appropriate. For purposes of providing for transfer of, perfection of a security interest in, and other relevant matters related to, a Membership Interest or other interest in the Company, each Membership Interest and other interest in the Company shall be deemed to be a “security” governed by Article 8 of the Uniform Commercial Code in effect in the State of Texas. The Member may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the party claiming the certificate of Membership Interest to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Member may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same and/or to give the Company a bond as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

9. ***Tax Characterization.*** The Company and the Member acknowledge that for United States federal income tax purposes, the Company shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the

membership interests in the Company are owned solely by the Member, and no provision of these Regulations shall be construed otherwise.

10. **Management.** The management of the Company shall be exclusively vested in [▲], in its capacity as the trustee of the ERG Plan Trust (the “Manager”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Manager. The Manager shall make all decisions and elections for the Company and have the maximum authority permitted under the TBOC to bind the Company with respect to any matter, contract or agreement without the consent or approval of any other party.

11. **Officers.** The Manager may, from time to time, in its sole discretion, appoint and/or remove officers of the Company and delegate to such officers of the Company such duties and management authority as the Manager shall determine. The Manager has designated the following individuals to serve as the officers of the Company as set forth opposite their respective names below, such individual to serve until his or her successor is chosen by the Manager or until such person’s earlier death, resignation, retirement, disqualification or removal by the Manager:

[▲]
[▲]

Chief Executive Officer
Chief Operating Officer

No officer need be a resident of the State of Texas. Any officer may be removed as such, either with or without cause, by the Manager at any time. The officers shall be liable for errors or omissions in performing their duties with respect to the Company only in the case of gross negligence, willful misconduct or bad faith, but not otherwise.

12. **Registered Office and Agent.** The registered office and registered agent of the Company in the State of Texas shall be specified in the Certificates or as designated by the Member in the manner provided by applicable law.

13. **Maintenance of Books.** The Member shall keep or cause to be kept at the principal office of the Company or at such other location as the Member deems appropriate all books and records required to be maintained by applicable law.

14. **Binding Effect.** These Regulations are binding on and shall inure to the benefit of the Member and its successors and assigns.

15. **Assignment and Transfer.** The Member may assign or transfer, in whole or in part, the Membership Interest to a third person or persons.

16. **Admission of Substitute Member.** A person who acquires the Membership Interest by transfer or assignment shall be admitted to the Company as a member upon the execution of these Regulations or a counterpart of or amendment to these Regulations and thereupon shall become a “Member” for purposes of these Regulations.

17. ***Fiscal Year.*** The fiscal year of the Company shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is required. The Company shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

18. ***Liability of Members and Officers; Indemnification.***

(a) Neither the Member, the Manager nor any officer of the Company shall have any liability for the obligations or liabilities of the Company except to the extent provided herein or in the TBOC.

(b) The Company shall indemnify, defend and hold harmless the Member, the Manager and their respective affiliates, partners, officers, directors, stockholders, employees, agents and representatives, and the partners, stockholders, members, officers, directors, managers, employees, agents and representatives of such persons to the fullest extent permitted by the TBOC.

19. ***Dissolution.*** The Company shall dissolve and its business and affairs shall be wound up at such time, if any, as the Member may elect or as may be required under the TBOC. No other event will cause the Company to dissolve.

20. ***Governing Law.*** THESE REGULATIONS ARE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ITS CONFLICT-OF-LAWS RULES).

21. ***Amendments.*** These Regulations may be modified, altered, supplemented or amended at any time only by a written instrument executed by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Member has caused these Regulations to be duly executed to be effective as of the date first written above.

ERG INTERMEDIATE HOLDINGS, LLC,
in its capacity as sole member of the Company

By: Trustee of the ERG Plan Trust

[▲], Plan Trustee

**AMENDED AND RESTATED COMPANY AGREEMENT OF
ERG INTERESTS, LLC
(a Texas limited liability company)**

This AMENDED AND RESTATED COMPANY AGREEMENT (this “Agreement”) of ERG Interests, LLC, a Texas limited liability company (the “Company”), dated as of September [▲], 2015, is adopted, executed and agreed to by ERG Resources, L.L.C., a Texas limited liability company, as the sole member of the Company (the “Member”).

RECITALS:

WHEREAS, the Company was formed as a Texas limited liability company pursuant to a certificate of formation filed on January 15, 2013 (the “Certificate”) with the Secretary of State of the State of Texas (the “Formation”);

WHEREAS, in connection with the Formation, the Company adopted that certain Company Agreement of the Company dated as of January 22, 2013 (the “Prior Agreement”);

WHEREAS, ERG Intermediate Holdings, LLC, a Texas limited liability company and the sole member of the Member, the Member, and certain of the Member’s direct subsidiaries, including the Company (collectively, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Cases”);

WHEREAS, pursuant to the Bankruptcy Cases, the Debtors entered into that certain Chapter 11 Plan of Reorganization dated September [▲], 2015 in Respect of the Debtors (as may be amended, modified or supplemented from time to time, the “Plan”), pursuant to which all of the membership interests in the Company shall revert in the Member and become certificated; and

WHEREAS, pursuant to the Plan, the Member must amend and restate the Prior Agreement as set forth herein to reflect the foregoing and implement the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and provisions hereinafter contained, the Member hereby adopts this Agreement as follows:

1. ***Formation.*** The Company has been formed as a Texas limited liability company by the filing of the Certificate under and pursuant to the Texas Business Organizations Code (as may be amended from time to time, the “TBOC”).

2. ***Term.*** The Company shall have perpetual existence.

3. ***Purposes.*** The purposes of the Company are (i) to engage, for the purpose of operating the California Assets (as defined in the Plan), one or more contract operators acceptable to the Exit Facility Lenders and the Prepetition Lenders (as such terms are defined in the Plan), pursuant to Section 7.8 of the Plan and (ii) to carry on any other lawful business,

purpose or activity for which limited liability companies may be formed under the TBOC and which is allowed by the Amended and Restated Prepetition Loan Documents (as defined in the Plan) and the Exit Facility Loan Documents (as defined in the Plan). The Company shall have all of the powers to conduct such business as permitted under the TBOC.

4. ***Sole Member.*** The Company shall have one member, and such sole member shall be the Member.

5. ***Allocation of Profits and Losses.*** The Member shall receive the allocation of all profits, losses, gains, deductions and credits with respect to the operations of the Company.

6. ***Contributions.*** Any investment in the Company will be made 100% by the Member. If, at any time, the revenues and other funds available to the Company are not adequate to meet its obligations, the Member may, in its sole and absolute discretion, make additional capital contributions in such amounts as it deems necessary. The Member will not at any time have any liability to the Company for any negative balance in its capital account except to the extent that such negative balance arose as the result of distributions in violation of this Agreement or applicable law.

7. ***Distributions.*** The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company, and (b) to enjoy all other rights, benefits and interests in the Company.

8. ***Certification of Membership Interests.*** The membership interests in the Company (the “Membership Interests”) shall be represented by certificates. Such certificate shall be in the form approved in the sole discretion of the Member and may set forth designations with regard to class of interest, capital contribution, voting rights, and any other matter that the Member deems appropriate. For purposes of providing for transfer of, perfection of a security interest in, and other relevant matters related to, a Membership Interest or other interest in the Company, each Membership Interest and other interest in the Company shall be deemed to be a “security” governed by Article 8 of the Uniform Commercial Code in effect in the State of Texas. The Member may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the party claiming the certificate of Membership Interest to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Member may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same and/or to give the Company a bond as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

9. ***Tax Characterization.*** The Company and the Member acknowledge that for United States federal income tax purposes, the Company shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the membership interests in the Company are owned solely by the Member, and no provision of this Agreement shall be construed otherwise.

10. **Management.** The management of the Company shall be exclusively vested in [▲], in its capacity as the trustee of the ERG Plan Trust (the “Manager”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Manager. The Manager shall make all decisions and elections for the Company and have the maximum authority permitted under the TBOC to bind the Company with respect to any matter, contract or agreement without the consent or approval of any other party.

11. **Officers.** The Manager may, from time to time, in its sole discretion, appoint and/or remove officers of the Company and delegate to such officers of the Company such duties and management authority as the Manager shall determine. The Manager has designated the following individuals to serve as the officers of the Company as set forth opposite their respective names below, such individual to serve until his or her successor is chosen by the Manager or until such person’s earlier death, resignation, retirement, disqualification or removal by the Manager:

[▲]	Chief Executive Officer
[▲]	Chief Operating Officer

No officer need be a resident of the State of Texas. Any officer may be removed as such, either with or without cause, by the Manager at any time. The officers shall be liable for errors or omissions in performing their duties with respect to the Company only in the case of gross negligence, willful misconduct or bad faith, but not otherwise.

12. **Registered Office and Agent.** The registered office and registered agent of the Company in the State of Texas shall be specified in the Certificates or as designated by the Member in the manner provided by applicable law.

13. **Maintenance of Books.** The Member shall keep or cause to be kept at the principal office of the Company or at such other location as the Member deems appropriate all books and records required to be maintained by applicable law.

14. **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Member and its successors and assigns.

15. **Assignment and Transfer.** The Member may assign or transfer, in whole or in part, the Membership Interest to a third person or persons.

16. **Admission of Substitute Member.** A person who acquires the Membership Interest by transfer or assignment shall be admitted to the Company as a member upon the execution of this Agreement or a counterpart of or amendment to this Agreement and thereupon shall become a “Member” for purposes of this Agreement.

17. **Fiscal Year.** The fiscal year of the Company shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is

required. The Company shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

18. ***Liability of Members and Officers; Indemnification.***

(a) Neither the Member, the Manager nor any officer of the Company shall have any liability for the obligations or liabilities of the Company except to the extent provided herein or in the TBOC.

(b) The Company shall indemnify, defend and hold harmless the Member, the Manager and their respective affiliates, partners, officers, directors, stockholders, employees, agents and representatives, and the partners, stockholders, members, officers, directors, managers, employees, agents and representatives of such persons to the fullest extent permitted by the TBOC.

19. ***Dissolution.*** The Company shall dissolve and its business and affairs shall be wound up at such time, if any, as the Member may elect or as may be required under the TBOC. No other event will cause the Company to dissolve.

20. ***Governing Law.*** THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ITS CONFLICT-OF-LAWS RULES).

21. ***Amendments.*** This Agreement may be modified, altered, supplemented or amended at any time only by a written instrument executed by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Member has caused this Agreement to be duly executed to be effective as of the date first written above.

ERG RESOURCES, L.L.C.,
in its capacity as the sole member of the Company

By: ERG Intermediate Holdings, LLC,
in its capacity as the sole member of the Member

By: Trustee of the ERG Plan Trust

[▲], Plan Trustee

**AMENDED AND RESTATED COMPANY AGREEMENT OF
ERG OPERATING COMPANY, LLC
(a Texas limited liability company)**

This AMENDED AND RESTATED COMPANY AGREEMENT (this “Agreement”) of ERG Operating Company, LLC, a Texas limited liability company (the “Company”), dated as of September [▲], 2015, is adopted, executed and agreed to by ERG Resources, L.L.C., a Texas limited liability company, as the sole member of the Company (the “Member”).

RECITALS:

WHEREAS, the Company was formed as a Texas limited liability company pursuant to a certificate of formation filed on November 23, 2009 (the “Certificate”) with the Secretary of State of the State of Texas (the “Formation”);

WHEREAS, in connection with the Formation, the Company adopted that certain Company Agreement of the Company dated as of November 24, 2009 (the “Prior Agreement”);

WHEREAS, ERG Intermediate Holdings, LLC, a Texas limited liability company and the sole member of the Member, the Member, and certain of the Member’s direct subsidiaries, including the Company (collectively, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Cases”);

WHEREAS, pursuant to the Bankruptcy Cases, the Debtors entered into that certain Chapter 11 Plan of Reorganization dated September [▲], 2015 in Respect of the Debtors (as may be amended, modified or supplemented from time to time, the “Plan”), pursuant to which all of the membership interests in the Company shall revert in the Member and become certificated; and

WHEREAS, pursuant to the Plan, the Member must amend and restate the Prior Agreement as set forth herein to reflect the foregoing and implement the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and provisions hereinafter contained, the Member hereby adopts this Agreement as follows:

1. ***Formation.*** The Company has been formed as a Texas limited liability company by the filing of the Certificate under and pursuant to the Texas Business Organizations Code (as may be amended from time to time, the “TBOC”).

2. ***Term.*** The Company shall have perpetual existence.

3. ***Purposes.*** The purposes of the Company are (i) to engage, for the purpose of operating the California Assets (as defined in the Plan), one or more contract operators acceptable to the Exit Facility Lenders and the Prepetition Lenders (as such terms are defined in the Plan), pursuant to Section 7.8 of the Plan and (ii) to carry on any other lawful business,

purpose or activity for which limited liability companies may be formed under the TBOC and which is allowed by the Amended and Restated Prepetition Loan Documents (as defined in the Plan) and the Exit Facility Loan Documents (as defined in the Plan). The Company shall have all of the powers to conduct such business as permitted under the TBOC.

4. ***Sole Member.*** The Company shall have one member, and such sole member shall be the Member.

5. ***Allocation of Profits and Losses.*** The Member shall receive the allocation of all profits, losses, gains, deductions and credits with respect to the operations of the Company.

6. ***Contributions.*** Any investment in the Company will be made 100% by the Member. If, at any time, the revenues and other funds available to the Company are not adequate to meet its obligations, the Member may, in its sole and absolute discretion, make additional capital contributions in such amounts as it deems necessary. The Member will not at any time have any liability to the Company for any negative balance in its capital account except to the extent that such negative balance arose as the result of distributions in violation of this Agreement or applicable law.

7. ***Distributions.*** The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company, and (b) to enjoy all other rights, benefits and interests in the Company.

8. ***Certification of Membership Interests.*** The membership interests in the Company (the “Membership Interests”) shall be represented by certificates. Such certificate shall be in the form approved in the sole discretion of the Member and may set forth designations with regard to class of interest, capital contribution, voting rights, and any other matter that the Member deems appropriate. For purposes of providing for transfer of, perfection of a security interest in, and other relevant matters related to, a Membership Interest or other interest in the Company, each Membership Interest and other interest in the Company shall be deemed to be a “security” governed by Article 8 of the Uniform Commercial Code in effect in the State of Texas. The Member may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the party claiming the certificate of Membership Interest to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Member may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same and/or to give the Company a bond as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

9. ***Tax Characterization.*** The Company and the Member acknowledge that for United States federal income tax purposes, the Company shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the membership interests in the Company are owned solely by the Member, and no provision of this Agreement shall be construed otherwise.

10. **Management.** The management of the Company shall be exclusively vested in [▲], in its capacity as the trustee of the ERG Plan Trust (the “Manager”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Manager. The Manager shall make all decisions and elections for the Company and have the maximum authority permitted under the TBOC to bind the Company with respect to any matter, contract or agreement without the consent or approval of any other party.

11. **Officers.** The Manager may, from time to time, in its sole discretion, appoint and/or remove officers of the Company and delegate to such officers of the Company such duties and management authority as the Manager shall determine. The Manager has designated the following individuals to serve as the officers of the Company as set forth opposite their respective names below, such individual to serve until his or her successor is chosen by the Manager or until such person’s earlier death, resignation, retirement, disqualification or removal by the Manager:

[▲]	Chief Executive Officer
[▲]	Chief Operating Officer

No officer need be a resident of the State of Texas. Any officer may be removed as such, either with or without cause, by the Manager at any time. The officers shall be liable for errors or omissions in performing their duties with respect to the Company only in the case of gross negligence, willful misconduct or bad faith, but not otherwise.

12. **Registered Office and Agent.** The registered office and registered agent of the Company in the State of Texas shall be specified in the Certificates or as designated by the Member in the manner provided by applicable law.

13. **Maintenance of Books.** The Member shall keep or cause to be kept at the principal office of the Company or at such other location as the Member deems appropriate all books and records required to be maintained by applicable law.

14. **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Member and its successors and assigns.

15. **Assignment and Transfer.** The Member may assign or transfer, in whole or in part, the Membership Interest to a third person or persons.

16. **Admission of Substitute Member.** A person who acquires the Membership Interest by transfer or assignment shall be admitted to the Company as a member upon the execution of this Agreement or a counterpart of or amendment to this Agreement and thereupon shall become a “Member” for purposes of this Agreement.

17. **Fiscal Year.** The fiscal year of the Company shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is

required. The Company shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

18. ***Liability of Members and Officers; Indemnification.***

(a) Neither the Member, the Manager nor any officer of the Company shall have any liability for the obligations or liabilities of the Company except to the extent provided herein or in the TBOC.

(b) The Company shall indemnify, defend and hold harmless the Member, the Manager and their respective affiliates, partners, officers, directors, stockholders, employees, agents and representatives, and the partners, stockholders, members, officers, directors, managers, employees, agents and representatives of such persons to the fullest extent permitted by the TBOC.

19. ***Dissolution.*** The Company shall dissolve and its business and affairs shall be wound up at such time, if any, as the Member may elect or as may be required under the TBOC. No other event will cause the Company to dissolve.

20. ***Governing Law.*** THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ITS CONFLICT-OF-LAWS RULES).

21. ***Amendments.*** This Agreement may be modified, altered, supplemented or amended at any time only by a written instrument executed by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Member has caused this Agreement to be duly executed to be effective as of the date first written above.

ERG RESOURCES, L.L.C.,
in its capacity as the sole member of the Company

By: ERG Intermediate Holdings, LLC,
in its capacity as the sole member of the Member

By: Trustee of the ERG Plan Trust

[▲], Plan Trustee

**AMENDED AND RESTATED COMPANY AGREEMENT OF
WEST CAT CANYON, L.L.C.
(a Texas limited liability company)**

This AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT (this “Agreement”) of West Cat Canyon, L.L.C., a Texas limited liability company (the “Company”), dated as of September [▲], 2015, is adopted, executed and agreed to by ERG Resources, L.L.C., a Texas limited liability company, as the sole member of the Company (the “Member”).

R E C I T A L S:

WHEREAS, the Company was formed as a Texas limited liability company pursuant to a certificate of formation filed on March 29, 2012 (the “Certificate”) with the Secretary of State of the State of Texas (the “Formation”);

WHEREAS, in connection with the Formation, the Company adopted that certain Company Agreement of the Company dated as of March 29, 2012 (the “Prior Agreement”);

WHEREAS, ERG Intermediate Holdings, LLC, a Texas limited liability company and the sole member of the Member, the Member, and certain of the Member’s direct subsidiaries, including the Company (collectively, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. (the “Bankruptcy Cases”);

WHEREAS, pursuant to the Bankruptcy Cases, the Debtors entered into that certain Chapter 11 Plan of Reorganization dated September [▲], 2015 in Respect of the Debtors (as may be amended, modified or supplemented from time to time, the “Plan”), pursuant to which all of the membership interests in the Company shall revert in the Member and become certificated; and

WHEREAS, pursuant to the Plan, the Member must amend and restate the Prior Agreement as set forth herein to reflect the foregoing and implement the provisions set forth herein.

NOW, THEREFORE, in consideration of the premises and the covenants and provisions hereinafter contained, the Member hereby adopts this Agreement as follows:

1. **Formation.** The Company has been formed as a Texas limited liability company by the filing of the Certificate under and pursuant to the Texas Business Organizations Code (as may be amended from time to time, the “TBOC”).

2. **Term.** The Company shall have perpetual existence.

3. **Purposes.** The purposes of the Company are (i) to engage, for the purpose of operating the California Assets (as defined in the Plan), one or more contract operators acceptable to the Exit Facility Lenders and the Prepetition Lenders (as such terms are defined in

the Plan), pursuant to Section 7.8 of the Plan and (ii) to carry on any other lawful business, purpose or activity for which limited liability companies may be formed under the TBOC and which is allowed by the Amended and Restated Prepetition Loan Documents (as defined in the Plan) and the Exit Facility Loan Documents (as defined in the Plan). The Company shall have all of the powers to conduct such business as permitted under the TBOC.

4. ***Sole Member.*** The Company shall have one member, and such sole member shall be the Member.

5. ***Allocation of Profits and Losses.*** The Member shall receive the allocation of all profits, losses, gains, deductions and credits with respect to the operations of the Company.

6. ***Contributions.*** Any investment in the Company will be made 100% by the Member. If, at any time, the revenues and other funds available to the Company are not adequate to meet its obligations, the Member may, in its sole and absolute discretion, make additional capital contributions in such amounts as it deems necessary. The Member will not at any time have any liability to the Company for any negative balance in its capital account except to the extent that such negative balance arose as the result of distributions in violation of this Agreement or applicable law.

7. ***Distributions.*** The Member shall be entitled (a) to receive all distributions (including, without limitation, liquidating distributions) made by the Company, and (b) to enjoy all other rights, benefits and interests in the Company.

8. ***Certification of Membership Interests.*** The membership interests in the Company (the “Membership Interests”) shall be represented by certificates. Such certificate shall be in the form approved in the sole discretion of the Member and may set forth designations with regard to class of interest, capital contribution, voting rights, and any other matter that the Member deems appropriate. For purposes of providing for transfer of, perfection of a security interest in, and other relevant matters related to, a Membership Interest or other interest in the Company, each Membership Interest and other interest in the Company shall be deemed to be a “security” governed by Article 8 of the Uniform Commercial Code in effect in the State of Texas. The Member may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the party claiming the certificate of Membership Interest to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Member may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same and/or to give the Company a bond as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

9. ***Tax Characterization.*** The Company and the Member acknowledge that for United States federal income tax purposes, the Company shall be disregarded as an entity separate from the Member pursuant to Treasury Regulation § 301.7701-3 as long as all of the

membership interests in the Company are owned solely by the Member, and no provision of this Agreement shall be construed otherwise.

10. **Management.** The management of the Company shall be exclusively vested in [▲], in its capacity as the trustee of the ERG Plan Trust (the “Manager”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Manager. The Manager shall make all decisions and elections for the Company and have the maximum authority permitted under the TBOC to bind the Company with respect to any matter, contract or agreement without the consent or approval of any other party.

11. **Officers.** The Manager may, from time to time, in its sole discretion, appoint and/or remove officers of the Company and delegate to such officers of the Company such duties and management authority as the Manager shall determine. The Manager has designated the following individuals to serve as the officers of the Company as set forth opposite their respective names below, such individual to serve until his or her successor is chosen by the Manager or until such person’s earlier death, resignation, retirement, disqualification or removal by the Manager:

[▲]
[▲]

Chief Executive Officer
Chief Operating Officer

No officer need be a resident of the State of Texas. Any officer may be removed as such, either with or without cause, by the Manager at any time. The officers shall be liable for errors or omissions in performing their duties with respect to the Company only in the case of gross negligence, willful misconduct or bad faith, but not otherwise.

12. **Registered Office and Agent.** The registered office and registered agent of the Company in the State of Texas shall be specified in the Certificates or as designated by the Member in the manner provided by applicable law.

13. **Maintenance of Books.** The Member shall keep or cause to be kept at the principal office of the Company or at such other location as the Member deems appropriate all books and records required to be maintained by applicable law.

14. **Binding Effect.** This Agreement is binding on and shall inure to the benefit of the Member and its successors and assigns.

15. **Assignment and Transfer.** The Member may assign or transfer, in whole or in part, the Membership Interest to a third person or persons.

16. **Admission of Substitute Member.** A person who acquires the Membership Interest by transfer or assignment shall be admitted to the Company as a member upon the execution of this Agreement or a counterpart of or amendment to this Agreement and thereupon shall become a “Member” for purposes of this Agreement.

17. ***Fiscal Year.*** The fiscal year of the Company shall end on December 31 of each calendar year unless, for United States federal income tax purposes, another fiscal year is required. The Company shall have the same fiscal year for United States federal income tax purposes and for accounting purposes.

18. ***Liability of Members and Officers; Indemnification.***

(a) Neither the Member, the Manager nor any officer of the Company shall have any liability for the obligations or liabilities of the Company except to the extent provided herein or in the TBOC.

(b) The Company shall indemnify, defend and hold harmless the Member, the Manager and their respective affiliates, partners, officers, directors, stockholders, employees, agents and representatives, and the partners, stockholders, members, officers, directors, managers, employees, agents and representatives of such persons to the fullest extent permitted by the TBOC.

19. ***Dissolution.*** The Company shall dissolve and its business and affairs shall be wound up at such time, if any, as the Member may elect or as may be required under the TBOC. No other event will cause the Company to dissolve.

20. ***Governing Law.*** THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (EXCLUDING ITS CONFLICT-OF-LAWS RULES).

21. ***Amendments.*** This Agreement may be modified, altered, supplemented or amended at any time only by a written instrument executed by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned Member has caused this Agreement to be duly executed to be effective as of the date first written above.

ERG RESOURCES, L.L.C.,
in its capacity as the sole member of the Company

By: ERG Intermediate Holdings, LLC,
in its capacity as the sole member of the Member

By: Trustee of the ERG Plan Trust

[▲], Plan Trustee