

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For The Quarterly Period Ended June 30, 2017**

**OR**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-14039**

---

**Callon Petroleum Company**

(Exact Name of Registrant as Specified in Its Charter)

---

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**64-0844345**

(IRS Employer  
Identification No.)

**200 North Canal Street**

**Natchez, Mississippi**

(Address of Principal Executive Offices)

**39120**

(Zip Code)

**601-442-1601**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The Registrant had 201,827,995 shares of common stock outstanding as of July 28, 2017.

---

## Table of Contents

### Part I. Financial Information

#### Item 1. Financial Statements (Unaudited)

<a href="#">Consolidated Balance Sheets</a>	<a href="#">4</a>
<a href="#">Consolidated Statements of Operations</a>	<a href="#">5</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">6</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">7</a>
<a href="#">Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">19</a>
<a href="#">Item 3. Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">30</a>
<a href="#">Item 4. Controls and Procedures</a>	<a href="#">31</a>

### Part II. Other Information

<a href="#">Item 1. Legal Proceedings</a>	<a href="#">32</a>
<a href="#">Item 1A. Risk Factors</a>	<a href="#">32</a>
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">32</a>
<a href="#">Item 3. Defaults Upon Senior Securities</a>	<a href="#">32</a>
<a href="#">Item 4. Mine Safety Disclosures</a>	<a href="#">32</a>
<a href="#">Item 5. Other Information</a>	<a href="#">32</a>
<a href="#">Item 6. Exhibits</a>	<a href="#">33</a>

## DEFINITIONS

All defined terms under Rule 4-10(a) of Regulation S-X shall have their prescribed meanings when used in this report. As used in this document:

- **ARO**: asset retirement obligation.
- **ASU**: accounting standards update.
- **Bbl** or **Bbls**: barrel or barrels of oil or natural gas liquids.
- **BOE**: barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of gas. The ratio of one barrel of oil or NGL to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas, and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.
- **BBtu**: billion Btu.
- **BOE/d**: BOE per day.
- **Btu**: a British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.
- **Cushing**: An oil delivery point that serves as the benchmark oil price for West Texas Intermediate.
- **FASB**: Financial Accounting Standards Board.
- **GAAP**: Generally Accepted Accounting Principles in the United States.
- **Henry Hub**: A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.
- **LIBOR**: London Interbank Offered Rate.
- **LOE**: lease operating expense.
- **MBbls**: thousand barrels of oil.
- **MBOE**: thousand BOE.
- **MMBOE**: million BOE.
- **Mcf**: thousand cubic feet of natural gas.
- **MMBtu**: million Btu.
- **MMcf**: million cubic feet of natural gas.
- **NGL or NGLs**: natural gas liquids, such as ethane, propane, butanes and natural gasoline that are extracted from natural gas production streams.
- **NYMEX**: New York Mercantile Exchange.
- **Oil**: includes crude oil and condensate.
- **SEC**: United States Securities and Exchange Commission.
- **WTI**: West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.

With respect to information relating to our working interest in wells or acreage, “net” oil and gas wells or acreage is determined by multiplying gross wells or acreage by our working interest therein. Unless otherwise specified, all references to wells and acres are gross.

**Part I. Financial Information**  
**Item I. Financial Statements**

**Callon Petroleum Company**  
**Consolidated Balance Sheets**  
(in thousands, except par and per share values and share data)

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<b>Unaudited</b>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 139,149	\$ 652,993
Accounts receivable	77,635	69,783
Fair value of derivatives	9,241	103
Other current assets	2,545	2,247
<b>Total current assets</b>	<b>228,570</b>	<b>725,126</b>
Oil and natural gas properties, full cost accounting method:		
Evaluated properties	3,125,238	2,754,353
Less accumulated depreciation, depletion, amortization and impairment	(1,998,294)	(1,947,673)
Net evaluated oil and natural gas properties	1,126,944	806,680
Unevaluated properties	1,194,999	668,721
<b>Total oil and natural gas properties</b>	<b>2,321,943</b>	<b>1,475,401</b>
Other property and equipment, net	18,071	14,114
Restricted investments	3,348	3,332
Deferred financing costs	5,273	3,092
Fair value of derivatives	3,804	—
Acquisition deposit	—	46,138
Other assets, net	655	384
<b>Total assets</b>	<b>\$ 2,581,664</b>	<b>\$ 2,267,587</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 144,958	\$ 95,577
Accrued interest	9,256	6,057
Cash-settleable restricted stock unit awards	3,650	8,919
Asset retirement obligations	1,767	2,729
Fair value of derivatives	2,243	18,268
<b>Total current liabilities</b>	<b>161,874</b>	<b>131,550</b>
Senior secured revolving credit facility	—	—
6.125% senior unsecured notes due 2024, net of unamortized deferred financing costs	595,138	390,219
Asset retirement obligations	5,031	3,932
Cash-settleable restricted stock unit awards	1,957	8,071
Deferred tax liability	921	90
Fair value of derivatives	441	28
Other long-term liabilities	405	295
<b>Total liabilities</b>	<b>765,767</b>	<b>534,185</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, series A cumulative, \$0.01 par value and \$50.00 liquidation preference, 2,500,000 shares authorized; 1,458,948 and 1,458,948 shares outstanding, respectively	15	15
Common stock, \$0.01 par value, 300,000,000 and 300,000,000 shares authorized; 201,806,900 and 201,041,320 shares outstanding, respectively	2,018	2,010
Capital in excess of par value	2,177,547	2,171,514
Accumulated deficit	(363,683)	(440,137)
<b>Total stockholders' equity</b>	<b>1,815,897</b>	<b>1,733,402</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,581,664</b>	<b>\$ 2,267,587</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Callon Petroleum Company**  
**Consolidated Statements of Operations**  
(Unaudited; in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating revenues:				
Oil sales	\$ 72,885	\$ 40,555	\$ 144,893	\$ 67,998
Natural gas sales	9,398	4,590	18,754	7,845
<b>Total operating revenues</b>	<b>82,283</b>	<b>45,145</b>	<b>163,647</b>	<b>75,843</b>
Operating expenses:				
Lease operating expenses	12,145	7,311	25,084	14,268
Production taxes	4,820	2,455	10,723	4,675
Depreciation, depletion and amortization	26,213	16,293	50,646	32,015
General and administrative	6,430	6,302	11,636	11,864
Settled share-based awards	6,351	—	6,351	—
Accretion expense	208	395	392	575
Write-down of oil and natural gas properties	—	61,012	—	95,788
Acquisition expense	2,373	1,906	2,822	1,954
<b>Total operating expenses</b>	<b>58,540</b>	<b>95,674</b>	<b>107,654</b>	<b>161,139</b>
Income (loss) from operations	23,743	(50,529)	55,993	(85,296)
Other (income) expenses:				
Interest expense, net of capitalized amounts	589	4,180	1,254	9,671
(Gain) loss on derivative contracts	(10,494)	15,484	(25,797)	16,416
Other income	(64)	(96)	(772)	(177)
<b>Total other (income) expense</b>	<b>(9,969)</b>	<b>19,568</b>	<b>(25,315)</b>	<b>25,910</b>
Income (loss) before income taxes	33,712	(70,097)	81,308	(111,206)
Income tax expense	322	—	789	—
Net income (loss)	33,390	(70,097)	80,519	(111,206)
Preferred stock dividends	(1,824)	(1,823)	(3,647)	(3,647)
<b>Income (loss) available to common stockholders</b>	<b>\$ 31,566</b>	<b>\$ (71,920)</b>	<b>\$ 76,872</b>	<b>\$ (114,853)</b>
Income (loss) per common share:				
Basic	\$ 0.16	\$ (0.61)	\$ 0.38	\$ (1.14)
Diluted	\$ 0.16	\$ (0.61)	\$ 0.38	\$ (1.14)
Shares used in computing income (loss) per common share:				
Basic	201,386	118,209	201,220	100,895
Diluted	201,905	118,209	201,823	100,895

The accompanying notes are an integral part of these consolidated financial statements.

**Callon Petroleum Company**  
**Consolidated Statements of Cash Flows**  
(Unaudited; in thousands)

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 80,519	\$ (111,206)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	51,697	32,827
Write-down of oil and natural gas properties	—	95,788
Accretion expense	392	575
Amortization of non-cash debt related items	1,254	1,561
Deferred income tax expense	789	—
Net (gain) loss on derivatives, net of settlements	(28,555)	28,149
Loss on sale of other property and equipment	62	—
Non-cash expense related to equity share-based awards	5,795	1,177
Change in the fair value of liability share-based awards	1,691	2,674
Payments to settle asset retirement obligations	(1,581)	(319)
Changes in current assets and liabilities:		
Accounts receivable	(7,810)	(4,836)
Other current assets	(298)	(305)
Current liabilities	5,680	4,113
Change in other long-term liabilities	120	86
Change in other assets, net	(770)	(450)
Payments to settle vested liability share-based awards	(13,173)	(10,300)
<b>Net cash provided by operating activities</b>	<b>95,812</b>	<b>39,534</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(146,090)	(75,280)
Acquisitions	(706,489)	(284,024)
Acquisition deposit	46,138	—
Proceeds from sales of mineral interests and equipment	—	23,631
<b>Net cash used in investing activities</b>	<b>(806,441)</b>	<b>(335,673)</b>
<b>Cash flows from financing activities:</b>		
Borrowings on senior secured revolving credit facility	—	143,000
Payments on senior secured revolving credit facility	—	(143,000)
Issuance of 6.125% senior unsecured notes due 2024	200,000	—
Premium on the issuance of 6.125% senior unsecured notes due 2024	8,250	—
Issuance of common stock	—	300,807
Payment of preferred stock dividends	(3,647)	(3,647)
Payment of deferred financing costs	(6,765)	—
Tax withholdings related to restricted stock units	(1,053)	(2,038)
<b>Net cash provided by financing activities</b>	<b>196,785</b>	<b>295,122</b>
Net change in cash and cash equivalents	(513,844)	(1,017)
Balance, beginning of period	652,993	1,224
Balance, end of period	<b>\$ 139,149</b>	<b>\$ 207</b>

The accompanying notes are an integral part of these consolidated financial statements.

**INDEX TO THE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<a href="#">1.</a> Description of Business and Basis of Presentation	<a href="#">6.</a> Fair Value Measurements
<a href="#">2.</a> Acquisitions	<a href="#">7.</a> Income Taxes
<a href="#">3.</a> Earnings Per Share	<a href="#">8.</a> Asset Retirement Obligations
<a href="#">4.</a> Borrowings	<a href="#">9.</a> Equity Transactions
<a href="#">5.</a> Derivative Instruments and Hedging Activities	<a href="#">10.</a> Other

**Note 1 - Description of Business and Basis of Presentation***Description of business*

Callon Petroleum Company is an independent oil and natural gas company established in 1950. The Company was incorporated under the laws of the state of Delaware in 1994 and succeeded to the business of a publicly traded limited partnership, a joint venture with a consortium of European investors and an independent energy company. As used herein, the “Company,” “Callon,” “we,” “us,” and “our” refer to Callon Petroleum Company and its predecessors and subsidiaries unless the context requires otherwise.

Callon is focused on the acquisition, development, exploration and exploitation of unconventional onshore, oil and natural gas reserves in the Permian Basin in West Texas. The Company’s operations to date have been predominantly focused on the horizontal development of several prospective intervals, including multiple levels of the Wolfcamp formation and, more recently, the Lower Spraberry shales. Callon has assembled a multi-year inventory of potential horizontal well locations and intends to add to this inventory through delineation drilling of emerging zones on its existing acreage and acquisition of additional locations through working interest acquisitions, leasing programs, acreage purchases, joint ventures and asset swaps.

*Basis of presentation*

**Unless otherwise indicated, all dollar amounts included within the Footnotes to the Financial Statements are presented in thousands, except for per share and per unit data.**

The interim consolidated financial statements of the Company have been prepared in accordance with (1) GAAP, (2) the SEC’s instructions to Quarterly Report on Form 10-Q and (3) Rule 10-01 of Regulation S-X, and include the accounts of Callon Petroleum Company, and its subsidiary, Callon Petroleum Operating Company (“CPOC”). CPOC also has subsidiaries, namely Callon Offshore Production, Inc. and Mississippi Marketing, Inc.

These interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. The balance sheet at December 31, 2016 has been derived from the audited financial statements at that date. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ended December 31, 2017.

In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments, including normal recurring adjustments and all intercompany account and transaction eliminations, necessary to present fairly the Company’s financial position, the results of its operations and its cash flows for the periods indicated. Certain prior year amounts may have been reclassified to conform to current year presentation.

*Recently issued accounting policies*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”). The standard requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will replace most of the existing revenue recognition requirements in GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14, deferring the effective date of ASU 2014-09 by one year. As a result, the standard is effective for annual periods beginning on or after December 31, 2017, including interim periods within that reporting period. The standard can be applied using either the full retrospective approach or a modified retrospective approach at the date of adoption. The Company is still evaluating the impact of the standard but has performed a preliminary assessment of the impact and developed an implementation plan to adopt the new standard. To date, the Company has not identified any material impact that the new standard will have on the Company’s Consolidated Financial Statements. The Company intends to adopt the new standard on January 1, 2018 using the modified retrospective method at the date of adoption.

**Recently adopted accounting policies**

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“ASU 2016-09”). The standard is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows, and will allow companies to estimate the number of stock awards expected to vest. The guidance in ASU 2016-09 is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods therein. The Company adopted this ASU on January 1, 2017 and it did not have a material impact on its financial statements. The Company has elected to no longer estimate forfeitures.

**Note 2 - Acquisitions**

Acquisitions were accounted for under the acquisition method of accounting, which involves determining the fair value of the assets acquired and liabilities assumed under the income approach.

**2017 acquisitions**

On February 13, 2017, the Company completed the acquisition of 29,175 gross (16,688 net) acres in the Delaware Basin, primarily located in Ward and Pecos Counties, Texas from American Resource Development, LLC, for total cash consideration of \$632,947, excluding customary purchase price adjustments (the “Ameredev Transaction”). The Company funded the cash purchase price with the net proceeds of an equity offering (see Note 9 for additional information regarding the equity offering). The Company acquired an 82% average working interest in the properties acquired in the Ameredev Transaction. In December 2016, in connection with the execution of the purchase and sale agreement for the Ameredev Transaction, the Company paid a deposit in the amount of \$46,138 to a third party escrow agent, which was recorded as Acquisition deposit on the balance sheet as of December 31, 2016. The following table summarizes the estimated acquisition date fair values of the acquisition:

Evaluated oil and natural gas properties	\$ 134,315
Unevaluated oil and natural gas properties	498,800
Asset retirement obligations	<u>(168)</u>
Net assets acquired	\$ 632,947

The preliminary purchase price allocation is subject to change based on numerous factors, including the final adjusted purchase price and the final estimated fair value of the assets acquired and liabilities assumed. Any such adjustments to the preliminary estimates of fair value could be material.

On June 5, 2017, the Company completed the acquisition of 7,031 gross (2,488 net) acres in the Delaware Basin, located near the acreage acquired in the Ameredev Transaction discussed above, for total cash consideration of \$52,500, excluding customary purchase price adjustments. The Company funded the cash purchase price with its available cash and proceeds from the issuance of an additional \$200,000 of its 6.125% senior notes due 2024 (see Note 4 for additional information regarding the Company’s debt obligations).

**2016 acquisitions**

On October 20, 2016, the Company completed the acquisition of 6,904 gross (5,952 net) acres in the Midland Basin, primarily located in Howard County, Texas from Plymouth Petroleum, LLC and additional sellers that exercised their “tag-along” sales rights, for total cash consideration of \$339,687, excluding customary purchase price adjustments (the “Plymouth Transaction”). The Company funded the cash purchase price with the net proceeds of an equity offering (see Note 9 for additional information regarding the equity offering). The Company acquired an 82% average working interest (62% average net revenue interest) in the properties acquired in the Plymouth Transaction.

On May 26, 2016, the Company completed the acquisition of 17,298 gross (14,089 net) acres in the Midland Basin, primarily located in Howard County, Texas from BSM Energy LP, Crux Energy LP and Zaniah Energy LP, for total cash consideration of \$220,000 and 9,333.333 shares of common stock (at an assumed offering price of \$11.74 per share, which is the last reported sale price of our common stock on the New York Stock Exchange on that date) for a total purchase price of \$329,573, excluding customary purchase price adjustments (the “Big Star Transaction”). The Company acquired an 81% average working interest (61% average net revenue interest) in the properties acquired in the Big Star Transaction.



**Unaudited pro forma financial statements**

The following unaudited summary pro forma financial information for the periods presented is for illustrative purposes only and does not purport to represent what the Company's results of operations would have been if the Ameredev Transaction, Plymouth Transaction and Big Star Transaction had occurred as presented, or to project the Company's results of operations for any future periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>	2017 <sup>(a)</sup>	2016 <sup>(a)</sup>
Revenues	\$ 82,283	\$ 48,534	\$ 166,699	\$ 91,149
Income (loss) from operations	23,743	(57,037)	58,650	(92,488)
Income (loss) available to common stockholders	31,566	(73,207)	79,529	(112,115)
Net income (loss) per common share:				
Basic	\$ 0.16	\$ (0.46)	\$ 0.40	\$ (0.80)
Diluted	\$ 0.16	\$ (0.46)	\$ 0.40	\$ (0.80)

(a) The pro forma financial information was prepared assuming the Ameredev Transaction occurred as of January 1, 2016 and the Plymouth Transaction and Big Star Transaction occurred as of January 1, 2015.

The pro forma adjustments are based on available information and certain assumptions that management believes are reasonable, including revenue, lease operating expenses, production taxes, depreciation, depletion and amortization expense, accretion expense, interest expense and capitalized interest.

The properties associated with the Ameredev Transaction, Plymouth Transaction and Big Star Transaction have been commingled with our existing properties and it is impractical to provide the stand-alone operational results related to these properties.

**Note 3 - Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share:

(share amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 33,390	\$ (70,097)	\$ 80,519	\$ (111,206)
Preferred stock dividends	(1,824)	(1,823)	(3,647)	(3,647)
Income (loss) available to common stockholders	\$ 31,566	\$ (71,920)	\$ 76,872	\$ (114,853)
Weighted average shares outstanding	201,386	118,209	201,220	100,895
Dilutive impact of restricted stock	519	—	603	—
Weighted average shares outstanding for diluted income (loss) per share	201,905	118,209	201,823	100,895
Basic income (loss) per share	\$ 0.16	\$ (0.61)	\$ 0.38	\$ (1.14)
Diluted income (loss) per share	\$ 0.16	\$ (0.61)	\$ 0.38	\$ (1.14)
Stock options <sup>(a)</sup>	—	15	—	15
Restricted stock <sup>(a)</sup>	22	36	22	36

(a) Shares excluded from the diluted earnings per share calculation because their effect would be anti-dilutive.

**Note 4 - Borrowings**

The Company's borrowings consisted of the following at:

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Principal components:</b>		
Senior secured revolving credit facility	\$ —	\$ —
6.125% senior unsecured notes due 2024	600,000	400,000
<b>Total principal outstanding</b>	<b>600,000</b>	<b>400,000</b>
Premium on 6.125% senior unsecured notes due 2024, net of accumulated amortization	8,156	—
Unamortized deferred financing costs	(13,018)	(9,781)
<b>Total carrying value of borrowings</b>	<b>\$ 595,138</b>	<b>\$ 390,219</b>

**Senior secured revolving credit facility (the "Credit Facility")**

On May 31, 2017, the Company entered into the Sixth Amended and Restated Credit Agreement to the Credit Facility with a maturity date of May 25, 2022. JPMorgan Chase Bank, N.A. is Administrative Agent, and participants include 17 institutional lenders. The total notional amount available under the Credit Facility is \$2,000,000. Amounts borrowed under the Credit Facility may not exceed the borrowing base, which is generally reviewed on a semi-annual basis. The Credit Facility is secured by first preferred mortgages covering the Company's major producing properties. Concurrent with the execution of the Sixth Amended and Restated Credit Agreement, the Credit Facility's borrowing base increased to \$650,000, but the Company elected an aggregate commitment amount of \$500,000. As of June 30, 2017, the Company continued to maintain the Credit Facility's borrowing base at \$500,000.

As of June 30, 2017, there was no balance outstanding on the Credit Facility. For the quarter ended June 30, 2017, the Credit Facility had a weighted-average interest rate of 3.08%, calculated as the LIBOR plus a tiered rate ranging from 2.00% to 3.00%, which is determined based on utilization of the facility. In addition, the Credit Facility carries a commitment fee of 0.375% per annum, payable quarterly, on the unused portion of the borrowing base.

**6.125% senior notes due 2024 ("6.125% Senior Notes")**

On October 3, 2016, the Company issued \$400,000 aggregate principal amount of 6.125% Senior Notes with a maturity date of October 1, 2024 and interest payable semi-annually beginning on April 1, 2017. The net proceeds of the offering, after deducting initial purchasers' discounts and estimated offering expenses, were approximately \$391,270. The 6.125% Senior Notes are guaranteed on a senior unsecured basis by the Company's wholly-owned subsidiary, Callon Petroleum Operating Company, and may be guaranteed by certain future subsidiaries. The subsidiary guarantor is 100% owned, all of the guarantees are full and unconditional and joint and several, the parent company has no independent assets or operations and any subsidiaries of the parent company other than the subsidiary guarantor are minor.

On May 19, 2017, the Company issued an additional \$200,000 aggregate principal amount of its 6.125% Senior Notes which with the existing \$400,000 aggregate principal amount of 6.125% Senior Notes are treated as a single class of notes under the indenture. The net proceeds of the offering, including a premium issue price of 104.125% and after deducting initial purchasers' discounts and estimated offering expenses, were approximately \$206,139. The Company used the proceeds, in part, to fund an acquisition completed on June 5, 2017 (discussed further in Note 2) and for general corporate purposes.

The Company may redeem the 6.125% Senior Notes in accordance with the following terms; (1) prior to October 1, 2019, a redemption of up to 35% of the principal in an amount not greater than the net proceeds from certain equity offerings, and within 180 days of the closing date of such equity offerings, at a redemption price of 106.125% of principal, plus accrued and unpaid interest, if any, to the date of the redemption, if at least 65% of the principal will remain outstanding after such redemption; (2) prior to October 1, 2019, a redemption of all or part of the principal at a price of 100% of principal of the amount redeemed, plus an applicable make-whole premium and accrued and unpaid interest, if any, to the date of the redemption; (3) a redemption, in whole or in part, at a redemption price, plus accrued and unpaid interest, if any, to the date of the redemption, (i) of 104.594% of principal if the redemption occurs on or after October 1, 2019, but before October 1, 2020, and (ii) of 103.063% of principal if the redemption occurs on or after October 1, 2020, but before October 1, 2021, and (iii) of 101.531% of principal if the redemption occurs on or after October 1, 2021, but before October 1, 2022, and (iv) of 100% of principal if the redemption occurs on or after October 1, 2022.

Following a change of control, each holder of the 6.125% Senior Notes may require the Company to repurchase all or a portion of the 6.125% Senior Notes at a price of 101% of principal of the amount repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

### ***Restrictive covenants***

The Company's Credit Facility and the indenture governing our 6.125% Senior Notes contain various covenants including restrictions on additional indebtedness, payment of cash dividends and maintenance of certain financial ratios. The Company was in compliance with these covenants at June 30, 2017.

### **Note 5 - Derivative Instruments and Hedging Activities**

#### ***Objectives and strategies for using derivative instruments***

The Company is exposed to fluctuations in oil and natural gas prices received for its production. Consequently, the Company believes it is prudent to manage the variability in cash flows on a portion of its oil and natural gas production. The Company utilizes a mix of collars, swaps, put and call options and similar derivative financial instruments to manage fluctuations in cash flows resulting from changes in commodity prices. The Company does not use these instruments for speculative or trading purposes.

#### ***Counterparty risk and offsetting***

The use of derivative instruments exposes the Company to the risk that a counterparty will be unable to meet its commitments. While the Company monitors counterparty creditworthiness on an ongoing basis, it cannot predict sudden changes in counterparties' creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, the Company may not realize the benefit of some of its derivative instruments under lower commodity prices while continuing to be obligated under higher commodity price contracts subject to any right of offset under the agreements. Counterparty credit risk is considered when determining the fair value of a derivative instrument; see Note 6 for additional information regarding fair value.

The Company executes commodity derivative contracts under master agreements with netting provisions that provide for offsetting assets against liabilities. In general, if a party to a derivative transaction incurs an event of default, as defined in the applicable agreement, the other party will have the right to demand the posting of collateral, demand a cash payment transfer or terminate the arrangement.

#### ***Financial statement presentation and settlements***

Settlements of the Company's derivative instruments are based on the difference between the contract price or prices specified in the derivative instrument and a benchmark price, such as the NYMEX price. To determine the fair value of the Company's derivative instruments, the Company utilizes present value methods that include assumptions about commodity prices based on those observed in underlying markets. See Note 6 for additional information regarding fair value.

#### ***Derivatives not designated as hedging instruments***

The Company records its derivative contracts at fair value in the consolidated balance sheets and records changes in fair value as a gain or loss on derivative contracts in the consolidated statements of operations. Cash settlements are also recorded as gain or loss on derivative contracts in the consolidated statements of operations.

The following table reflects the fair value of the Company's derivative instruments for the periods presented:

Commodity	Balance Sheet Presentation		Asset Fair Value		Liability Fair Value		Net Derivative Fair Value	
	Classification	Line Description	6/30/2017	12/31/2016	6/30/2017	12/31/2016	6/30/2017	12/31/2016
Natural gas	Current	Fair value of derivatives	\$ 567	\$ —	\$ —	\$ (593)	\$ 567	\$ (593)
Oil	Current	Fair value of derivatives	8,674	103	(2,243)	(17,675)	6,431	(17,572)
Oil	Non-current	Fair value of derivatives	3,804	—	(441)	(28)	3,363	(28)
	Totals		\$ 13,045	\$ 103	\$ (2,684)	\$ (18,296)	\$ 10,361	\$ (18,193)

As previously discussed, the Company's derivative contracts are subject to master netting arrangements. The Company's policy is to present the fair value of derivative contracts on a net basis in the consolidated balance sheet. The following presents the impact of this presentation to the Company's recognized assets and liabilities for the periods indicated:

	<b>June 30, 2017</b>		
	<b>Presented without Effects of Netting</b>	<b>Effects of Netting</b>	<b>As Presented with Effects of Netting</b>
Current assets: Fair value of derivatives	\$ 11,104	\$ (1,863)	\$ 9,241
Long-term assets: Fair value of derivatives	3,813	(9)	3,804
Current liabilities: Fair value of derivatives	\$ (4,106)	\$ 1,863	\$ (2,243)
Long-term liabilities: Fair value of derivatives	(450)	9	(441)

	<b>December 31, 2016</b>		
	<b>Presented without Effects of Netting</b>	<b>Effects of Netting</b>	<b>As Presented with Effects of Netting</b>
Current assets: Fair value of derivatives	\$ 1,836	\$ (1,733)	\$ 103
Current liabilities: Fair value of derivatives	\$ (20,001)	\$ 1,733	\$ (18,268)
Long-term liabilities: Fair value of derivatives	(28)	—	(28)

For the periods indicated, the Company recorded the following related to its derivatives in the consolidated statement of operations as gain or loss on derivative contracts:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Oil derivatives</b>				
Net gain (loss) on settlements	\$ (315)	\$ 3,707	\$ (2,840)	\$ 11,214
Net gain (loss) on fair value adjustments	10,128	(18,466)	27,394	(27,604)
Total gain (loss) on oil derivatives	<u>\$ 9,813</u>	<u>\$ (14,759)</u>	<u>\$ 24,554</u>	<u>\$ (16,390)</u>
<b>Natural gas derivatives</b>				
Net gain on settlements	\$ 48	\$ 310	\$ 82	\$ 519
Net gain (loss) on fair value adjustments	633	(1,035)	1,161	(545)
Total gain (loss) on natural gas derivatives	<u>\$ 681</u>	<u>\$ (725)</u>	<u>\$ 1,243</u>	<u>\$ (26)</u>
<b>Total gain (loss) on oil &amp; natural gas derivatives</b>	<u>\$ 10,494</u>	<u>\$ (15,484)</u>	<u>\$ 25,797</u>	<u>\$ (16,416)</u>

**Derivative positions**

Listed in the tables below are the outstanding oil and natural gas derivative contracts as of June 30, 2017:

	<b>For the Remainder of 2017</b>	<b>For the Full Year of 2018</b>
<b>Oil contracts (WTI)</b>		
<b>Swap contracts combined with short puts (enhanced swaps)</b>		
Total volume (MBbls)	368	—
Weighted average price per Bbl		
Swap	\$ 44.50	\$ —
Short put option	\$ 30.00	\$ —
<b>Swap contracts</b>		
Total volume (MBbls)	368	—
Weighted average price per Bbl	\$ 45.74	\$ —
<b>Deferred premium put spread option</b>		
Total volume (MBbls)	506	—
Premium per Bbl	\$ 2.45	\$ —
Weighted average price per Bbl		
Long put option	\$ 50.00	\$ —
Short put option	\$ 40.00	\$ —
<b>Collar contracts (two-way collars)</b>		
Total volume (MBbls)	681	—
Weighted average price per Bbl		
Ceiling (short call)	\$ 58.19	\$ —
Floor (long put)	\$ 47.50	\$ —
<b>Call option contracts</b>		
Total volume (MBbls)	338	—
Premium per Bbl	\$ 1.82	\$ —
Weighted average price per Bbl		
Short call strike price <sup>(a)</sup>	\$ 50.00	\$ —
Long call strike price <sup>(a)</sup>	\$ 50.00	\$ —
<b>Collar contracts combined with short puts (three-way collars)</b>		
Total volume (MBbls)	—	3,468
Weighted average price per Bbl		
Ceiling (short call option)	\$ —	\$ 60.86
Floor (long put option)	\$ —	\$ 48.95
Short put option	\$ —	\$ 39.21

(a) Offsetting contracts.

	<b>For the Remainder of 2017</b>	<b>For the Full Year of 2018</b>
<b>Oil contracts (Midland basis differential)</b>		
<b>Swap contracts</b>		
Volume (MBbls)	1,104	2,190
Weighted average price per Bbl	\$ (0.52)	\$ (1.02)

	<u>For the Remainder of 2017</u>	<u>For the Full Year of 2018</u>
<b>Natural gas contracts</b>		
<b>Collar contracts combined with short puts (Henry Hub, three-way collars)</b>		
Total volume (BBtu)	736	—
Weighted average price per MMBtu		
Ceiling (short call option)	\$ 3.71	\$ —
Floor (long put option)	\$ 3.00	\$ —
Short put option	\$ 2.50	\$ —
<b>Collar contracts (Henry Hub, two-way collars)</b>		
Total volume (BBtu)	1,224	720
Weighted average price per MMBtu		
Ceiling (short call option)	\$ 3.74	\$ 3.84
Floor (long put option)	\$ 3.16	\$ 3.40
<b>Swap contracts</b>		
Total volume (BBtu)	492	—
Weighted average price per MMBtu	\$ 3.39	\$ —

**Subsequent event**

The following derivative contracts were executed subsequent to June 30, 2017:

	<u>For the Remainder of 2017</u>	<u>For the Full Year of 2018</u>
<b>Oil contracts (Midland basis differential)</b>		
<b>Swap contracts</b>		
Volume (MBbbls)	—	548
Weighted average price per Bbl	\$ —	\$ (1.05)
<b>Oil contracts (WTI)</b>		
<b>Swap contracts</b>		
Volume (MBbbls)	—	730
Weighted average price per Bbl	\$ —	\$ 50.03

**Note 6 - Fair Value Measurements**

The fair value hierarchy included in GAAP gives the highest priority to Level 1 inputs, which consist of unadjusted quoted prices for identical instruments in active markets. Level 2 inputs consist of quoted prices for similar instruments. Level 3 valuations are derived from inputs that are significant and unobservable, and these valuations have the lowest priority.

**Fair value of financial instruments**

*Cash, cash equivalents, and restricted investments.* The carrying amounts for these instruments approximated fair value due to the short-term nature or maturity of the instruments.

*Debt.* The carrying amount of the Company's floating-rate debt approximated fair value because the interest rates were variable and reflective of market rates.

	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Credit Facility <sup>(a)</sup>	\$ —	\$ —	\$ —	\$ —
6.125% Senior Notes <sup>(b)</sup>	595,138	610,500	390,219	412,000
<b>Total</b>	<b>\$ 595,138</b>	<b>\$ 610,500</b>	<b>\$ 390,219</b>	<b>\$ 412,000</b>

(a) Floating-rate debt.

(b) The fair value was based upon Level 2 inputs. See Note 4 for additional information about the Company's 6.125% Senior Notes.

**Assets and liabilities measured at fair value on a recurring basis**

Certain assets and liabilities are reported at fair value on a recurring basis in the consolidated balance sheet. The following methods and assumptions were used to estimate fair value:

*Commodity derivative instruments.* The fair value of commodity derivative instruments is derived using an income approach valuation model that utilizes market-corroborated inputs that are observable over the term of the derivative contract. The Company's fair value calculations also incorporate an estimate of the counterparties' default risk for derivative assets and an estimate of the Company's default risk for derivative liabilities. The Company believes that the majority of the inputs used to calculate the commodity derivative instruments fall within Level 2 of the fair value hierarchy based on the wide availability of quoted market prices for similar commodity derivative contracts. See Note 5 for additional information regarding the Company's derivative instruments.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis:

<b>June 30, 2017</b>	<b>Classification</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>					
Derivative financial instruments	Fair value of derivatives	\$ —	\$ 13,045	\$ —	\$ 13,045
<b>Liabilities</b>					
Derivative financial instruments	Fair value of derivatives	—	(2,684)	—	(2,684)
Total net liabilities		\$ —	\$ 10,361	\$ —	\$ 10,361
<b>December 31, 2016</b>					
<b>Assets</b>					
Derivative financial instruments	Fair value of derivatives	\$ —	\$ 103	\$ —	\$ 103
<b>Liabilities</b>					
Derivative financial instruments	Fair value of derivatives	—	(18,296)	—	(18,296)
Total net liabilities		\$ —	\$ (18,193)	\$ —	\$ (18,193)

#### *Assets and liabilities measured at fair value on a nonrecurring basis*

*Acquisitions.* The Company determines the fair value of the assets acquired and liabilities assumed using the income approach based on expected discounted future cash flows from estimated reserve quantities, costs to produce and develop reserves, and oil and natural gas forward prices. The future net revenues are discounted using a weighted average cost of capital. The discounted future net revenues of proved undeveloped and probable reserves are reduced by an additional reserve adjustment factor to compensate for the inherent risk of estimating the value of unevaluated properties. The fair value measurements were based on Level 2 and Level 3 inputs.

#### **Note 7 - Income Taxes**

The Company typically provides for income taxes at a statutory rate of 35% adjusted for permanent differences expected to be realized, which primarily relate to non-deductible executive compensation expenses and state income taxes. As a result of the write-down of oil and natural gas properties in the latter part of 2015 and the first half of 2016, the Company has incurred a cumulative three years loss. Because of the impact the cumulative loss has on the determination of the recoverability of deferred tax assets through future earnings, the Company assessed the ability to realize its deferred tax assets based on the future reversals of existing deferred tax liabilities. Accordingly, the Company established a full valuation allowance for all of the deferred tax asset. The valuation allowance was \$115,879 as of June 30, 2017.

The Company recently adopted a new accounting standard that simplified the accounting for stock-based compensation. As a result, the Company recorded a cumulative-effect adjustment to retained earnings as of January 1, 2017 for all windfall tax benefits that were not previously recognized because the related tax deduction had not reduced current taxes payable. Due to the Company's valuation allowance position, a cumulative-effect adjustment was recorded to retained earnings as of January 1, 2017, and therefore, the net effect of this new accounting standard was zero. See Note 1 for additional information about this new accounting standard.

**Note 8 - Asset Retirement Obligations**

The table below summarizes the activity for the Company's asset retirement obligations:

	<b>For The Six Months Ended</b>	
	<b>June 30, 2017</b>	
Asset retirement obligations at January 1, 2017	\$	6,661
Accretion expense		392
Liabilities incurred		208
Liabilities settled		(227)
Revisions to estimate		(236)
Asset retirement obligations at end of period		6,798
Less: Current asset retirement obligations		(1,767)
Long-term asset retirement obligations at June 30, 2017	\$	5,031

Certain of the Company's operating agreements require that assets be restricted for abandonment obligations. Amounts recorded in the Consolidated Balance Sheets at June 30, 2017 as long-term restricted investments were \$3,348. These assets, which primarily include short-term U.S. Government securities, are held in abandonment trusts dedicated to pay future abandonment costs for several of the Company's oil and natural gas properties.

**Note 9 - Equity Transactions****10% Series A Cumulative Preferred Stock ("Preferred Stock")**

Holders of the Company's Preferred Stock are entitled to receive, when, as and if declared by our Board of Directors, out of funds legally available for the payment of dividends, cumulative cash dividends at a rate of 10.0% per annum of the \$50.00 liquidation preference per share (equivalent to \$5.00 per annum per share). Dividends are payable quarterly in arrears on the last day of each March, June, September and December when, as and if declared by our Board of Directors. Preferred Stock dividends were \$1,824 and \$1,823 for the three months ended June 30, 2017 and 2016, respectively, and \$3,647 and \$3,647 for the six months ended June 30, 2017 and 2016, respectively.

The Preferred Stock has no stated maturity and is not subject to any sinking fund or other mandatory redemption. On or after May 30, 2018, the Company may, at its option, redeem the Preferred Stock, in whole or in part, by paying \$50.00 per share, plus any accrued and unpaid dividends to the redemption date.

Following a change of control in which the Company or the acquirer no longer have a class of common securities listed on a national exchange, the Company will have the option to redeem the Preferred Stock, in whole but not in part for \$50.00 per share in cash, plus accrued and unpaid dividends (whether or not declared), to the redemption date. If the Company does not exercise its option to redeem the Preferred Stock upon such change of control, the holders of the Preferred Stock have the option to convert the Preferred Stock into a number of shares of the Company's common stock based on the value of the common stock on the date of the change of control as determined under the certificate of designations for the Preferred Stock. If the change of control occurred on June 30, 2017, and the Company did not exercise its right to redeem the Preferred Stock, using the closing price of \$10.61 as the value of a share of common stock, each share of Preferred Stock would be convertible into approximately 4.7 shares of common stock. If the Company exercises its redemption rights relating to shares of Preferred Stock, the holders of Preferred Stock will not have the conversion right described above.

On February 4, 2016, the Company exchanged a total of 120,000 shares of Preferred Stock for 719,000 shares of common stock. As of June 30, 2017, the Company had 1,458,948 shares of its Preferred Stock issued and outstanding.

**Common stock**

On December 19, 2016, the Company completed an underwritten public offering of 40,000,000 shares of its common stock for total estimated net proceeds (after the underwriter's discounts and estimated offering expenses) of approximately \$634,917. Proceeds from the offering were used to substantially fund the Ameredev Transaction, described in Note 2.

On September 6, 2016, the Company completed an underwritten public offering of 29,900,000 shares of its common stock for total estimated net proceeds (after the underwriter's discounts and estimated offering expenses) of approximately \$421,864. Proceeds from the offering were used to substantially fund the Plymouth Transaction, described in Note 2.



On May 26, 2016, the Company issued 9,333,333 shares of common stock to partially fund the Big Star Transaction, described in Note 2, at an assumed offering price of \$11.74 per share, which is the last reported sale price of our common stock on the New York Stock Exchange on that date.

On April 25, 2016, the Company completed an underwritten public offering of 25,300,000 shares of its common stock for total net proceeds (after the underwriter's discounts and commissions and estimated offering expenses) of approximately \$205,869. Proceeds from the offering were used to fund the Big Star Transaction, described in Note 2, and other working interest acquisitions.

On March 9, 2016, the Company completed an underwritten public offering of 15,250,000 shares of its common stock for total net proceeds (after the underwriting discounts and estimated offering costs) of approximately \$94,948. Proceeds from the offering were used to pay down the balance on the Company's Credit Facility and for general corporate purposes.

#### **Note 10 - Other**

##### ***Operating leases***

As of June 30, 2017 the Company had contracts for four horizontal drilling rigs (the "Cactus 1 Rig", "Cactus 2 Rig", "Cactus 3 Rig", and "Independence Rig"). The contract terms, as amended in July 2017, of the Cactus 1 Rig and Cactus 2 Rig will end in January 2020 and February 2021, respectively. The contract terms, as amended in July 2017, of the Cactus 3 Rig that commenced drilling in mid-January 2017, will end in July 2018. Effective April 2017, the Company entered into a contract for the Independence Rig, which commenced drilling in July 2017. The contract terms of the Independence Rig will end in July 2019. The rig lease agreements include early termination provisions that obligate the Company to pay reduced minimum rentals for the remaining term of the agreement. These payments would be reduced assuming the lessor is able to re-charter the rig and staffing personnel to another lessee.

## Special Note Regarding Forward Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”), as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements in this Form 10-Q by words such as “anticipate,” “project,” “intend,” “estimate,” “expect,” “believe,” “predict,” “budget,” “projection,” “goal,” “plan,” “forecast,” “target” or similar expressions.

All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including such things as:

- our oil and gas reserve quantities, and the discounted present value of these reserves;
- the amount and nature of our capital expenditures;
- our future drilling and development plans and our potential drilling locations;
- the timing and amount of future production and operating costs;
- commodity price risk management activities and the impact on our average realized prices;
- business strategies and plans of management;
- our ability to efficiently integrate recently completed acquisitions; and
- prospect development and property acquisitions.

Some of the risks, which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements, include:

- general economic conditions including the availability of credit and access to existing lines of credit;
- the volatility of oil and natural gas prices;
- the uncertainty of estimates of oil and natural gas reserves;
- impairments;
- the impact of competition;
- the availability and cost of seismic, drilling and other equipment;
- operating hazards inherent in the exploration for and production of oil and natural gas;
- difficulties encountered during the exploration for and production of oil and natural gas;
- difficulties encountered in delivering oil and natural gas to commercial markets;
- changes in customer demand and producers’ supply;
- the uncertainty of our ability to attract capital and obtain financing on favorable terms;
- compliance with, or the effect of changes in, the extensive governmental regulations regarding the oil and natural gas business including those related to climate change and greenhouse gases;
- the impact of government regulation, including regulation of endangered species;
- any increase in severance or similar taxes;
- litigation relating to hydraulic fracturing, the climate and over-the-counter derivatives;
- the financial impact of accounting regulations and critical accounting policies;
- the comparative cost of alternative fuels;
- credit risk relating to the risk of loss as a result of non-performance by our counterparties;
- weather conditions; and
- any other factors listed in the reports we have filed and may file with the SEC.

We caution you that the forward-looking statements contained in this Form 10-Q are subject to all of the risks and uncertainties, many of which are beyond our control, incident to the exploration for and development, production and sale of oil and natural gas. These risks include, but are not limited to, the risks described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Annual Report on Form 10-K”), and all quarterly reports on Form 10-Q filed subsequently thereto.

Should one or more of the risks or uncertainties described herein or in our 2016 Annual Report on Form 10-K occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### General

The following management's discussion and analysis describes the principal factors affecting the Company's results of operations, liquidity, capital resources and contractual cash obligations. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and our 2016 Annual Report on Form 10-K, which include additional information about our business practices, significant accounting policies, risk factors, and the transactions that underlie our financial results. Our website address is [www.callon.com](http://www.callon.com). All of our filings with the SEC are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. Information on our website does not form part of this report on Form 10-Q.

We are an independent oil and natural gas company established in 1950. We are focused on the acquisition, development, exploration and exploitation of unconventional, onshore, oil and natural gas reserves in the Permian Basin in West Texas. The Permian Basin is located in West Texas and southeastern New Mexico and is comprised of three primary sub-basins: the Midland Basin, the Delaware Basin, and the Central Basin Platform. We have historically been focused on the Midland Basin and recently entered the Delaware Basin through an acquisition completed in February 2017. Our operating culture is centered on responsible development of hydrocarbon resources, safety and the environment, which we believe strengthens our operational performance. Our drilling activity is predominantly focused on the horizontal development of several prospective intervals, including multiple levels of the Wolfcamp formation and, more recently, the Lower Spraberry shales. We have assembled a multi-year inventory of potential horizontal well locations and intend to add to this inventory through delineation drilling of emerging zones on our existing acreage and acquisition of additional locations through working interest acquisitions, leasing programs, acreage purchases, joint ventures and asset swaps. Our production was approximately 79% oil and 21% natural gas for the six months ended June 30, 2017. On June 30, 2017, our net acreage position in the Permian Basin was approximately 58,208 net acres. See Note 2 in the Footnotes to the Financial Statements for additional information about the Company's acquisitions.

### Operational Highlights

All of our producing properties are located in the Permian Basin. As a result of our acquisition and horizontal development efforts, our production grew 65% and 64% for the three and six months ended June 30, 2017, respectively, compared to the same periods of 2016. Production increased to 2,021 MBOE for the three months ended June 30, 2017 from 1,224 MBOE for the three months ended June 30, 2016 and increased to 3,860 MBOE for the six months ended June 30, 2017 from 2,357 MBOE for the six months ended June 30, 2016.

For the three months ended June 30, 2017, we drilled 14 gross (10.7 net) horizontal wells and completed 12 gross (9.6 net) horizontal wells. For the six months ended June 30, 2017 we drilled 23 gross (18.6 net) horizontal wells and completed 19 gross (14.5 net) horizontal wells. As of June 30, 2017, we had 10 gross (8.2 net) horizontal wells awaiting completion.

As of June 30, 2017, we had 522 gross (408 net) working interest oil wells, three gross (0.1 net) royalty interest oil wells and no natural gas wells. A well is categorized as an oil well or a natural gas well based upon the ratio of oil to natural gas reserves on a BOE basis. However, most of our wells produce both oil and natural gas.

### Liquidity and Capital Resources

Historically, our primary sources of capital have been cash flows from operations, borrowings from financial institutions, the sale of debt and equity securities, and asset dispositions. Our primary uses of capital have been for the acquisition, development, exploration and exploitation of oil and natural gas properties, in addition to refinancing of debt instruments. We continue to evaluate other sources of capital to complement our cash flows from operations as we pursue our long-term growth plans. As of June 30, 2017, there was no balance outstanding on the Credit Facility, which has a borrowing base of \$650 million with a current elected commitment of \$500 million. For the six months ended June 30, 2017, cash and cash equivalents increased \$138.9 million to \$139.1 million compared to \$0.2 million at June 30, 2016.

### Liquidity and cash flow

(in millions)	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	\$ 95.8	\$ 39.5
Net cash used in investing activities	(806.4)	(335.7)
Net cash provided by financing activities	196.8	295.2
Net change in cash and cash equivalents	\$ (513.8)	\$ (1.0)

**Operating activities.** For the six months ended June 30, 2017, net cash provided by operating activities was \$95.8 million compared to net cash provided by operating activities of \$39.5 million for the same period in 2016. The change was predominantly attributable to the following:

- An increase in revenue offset by a decrease on settlements of derivative contracts;
- An increase in certain operating expenses related to acquired properties;
- An increase in payments in cash-settled restricted stock unit ("RSU") awards; and
- A change related to the timing of working capital payments and receipts.

Production, realized prices, and operating expenses are discussed below in Results of Operations. See Notes 4, 5 and 6 in the Footnotes to the Financial Statements for additional information on our debt and a reconciliation of the components of the Company's derivative contracts and disclosures related to derivative instruments including their composition and valuation.

**Investing activities.** For the six months ended June 30, 2017, net cash used in investing activities was \$806.4 million compared to \$335.7 million for the same period in 2016. The change was predominantly attributable to the following:

- A \$56.4 million increase in operational expenditures due to the transition from a two-rig to a three-rig program in January 2017; and
- A \$376.3 million increase in acquisition activity. See Note 2 in the Footnotes to the Financial Statements for additional information on the Company's acquisitions.

Our investing activities, on a cash basis, include the following for the periods indicated (in millions):

	<b>Six Months Ended June 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>
Operational expenditures	\$ 119.5	\$ 63.1	\$ 56.4
Seismic, leasehold and other	7.6	—	7.6
Capitalized general and administrative costs	7.7	6.2	1.5
Capitalized interest	11.2	6.0	5.2
Total capital expenditures <sup>(a)</sup>	146.0	75.3	70.7
Acquisitions	706.5	284.0	422.5
Acquisition deposits	(46.1)	—	(46.1)
Proceeds from the sale of mineral interest and equipment	—	(23.6)	23.6
Total investing activities	\$ 806.4	\$ 335.7	\$ 470.7

- (a) On an accrual (GAAP) basis, which is the methodology used for establishing our annual capital budget, operational expenditures for the six months ended June 30, 2017 were \$163.6 million. Inclusive of capitalized general and administrative and interest costs, total capital expenditures for the six months ended June 30, 2017 were \$194.4 million.

General and administrative expenses and capitalized interest are discussed below in Results of Operations. See Note 2 in the Footnotes to the Financial Statements for additional information on acquisitions.

**Financing activities.** We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings under our Credit Facility, term debt and equity offerings. For the six months ended June 30, 2017, net cash provided by financing activities was \$196.8 million compared to \$295.2 million for the same period of 2016. The change was predominantly attributable to the following:

- A \$201.5 million increase in borrowings on fixed-rate debt, resulting from the issuance of \$200 million of 6.125% senior unsecured notes due 2024, including a premium issue price of 104.125% and net of payments of deferred financing costs
- We had no issuance of common stock during the six months ended June 30, 2017, a change of \$300.8 million compared to the same period of 2016.

Net cash provided by financing activities includes the following for the periods indicated (in millions):

	<b>Six Months Ended June 30, 2017</b>		
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>
Net borrowings on senior secured revolving credit facility	\$ —	\$ —	\$ —
Issuance of 6.125% senior unsecured notes due 2024	200.0	—	200.0
Premium on the issuance of 6.125% senior unsecured notes due 2024	8.3	—	8.3
Issuance of common stock	—	300.8	(300.8)
Payment of preferred stock dividends	(3.7)	(3.7)	—
Payment of deferred financing costs	(6.8)	—	(6.8)
Tax withholdings related to restricted stock units	(1.0)	(2.0)	1.0
Net cash provided by financing activities	<u>\$ 196.8</u>	<u>\$ 295.1</u>	<u>\$ (98.3)</u>

See Notes 4 and 9 in the Footnotes to the Financial Statements for additional information on our debt and equity offerings.

### Capital Plan and Year to Date 2017 Summary

Our operational capital budget for 2017 was established at \$350 million on an accrual, or GAAP, basis, inclusive of a transition from a three-rig program that commenced in January 2017 to a four-rig program in July 2017 that includes horizontal development activity at our recent Delaware Basin acquisition (see Note 2 in the Footnotes to the Financial Statements for information on this acquisition).

In addition to the operational capital budget, which includes well costs, facilities and infrastructure capital, and surface land purchases, we budgeted an estimated \$40 to \$45 million for capitalized general and administrative expenses and capitalized interest expenses, both on an accrual, or GAAP, basis.

Operational capital expenditures on an accrual basis were \$163.6 million for the six months ended June 30, 2017. In addition to the operational capital expenditures, \$8.7 million of capitalized general and administrative and \$14.5 million of capitalized interest expenses were accrued in the six months ended June 30, 2017.

Our revenues, earnings, liquidity and ability to grow are substantially dependent on the prices we receive for, and our ability to develop our reserves of oil and natural gas. We believe the long-term outlook for our business is favorable due to our resource base, low cost structure, financial strength, risk management, including commodity hedging strategy, and disciplined investment of capital. We monitor current and expected market conditions, including the commodity price environment, and our liquidity needs and may adjust our capital investment plan accordingly.

**Results of Operations**

The following table sets forth certain operating information with respect to the Company's oil and natural gas operations for the periods indicated:

	<b>Three Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>% Change</b>
<b>Net production:</b>				
Oil (MBbls)	1,596	948	648	68 %
Natural gas (MMcf)	2,550	1,658	892	54 %
Total (MBOE)	2,021	1,224	797	65 %
Average daily production (BOE/d)	22,209	13,451	8,758	65 %
% oil (BOE basis)	79%	77%		
<b>Average realized sales price:</b>				
Oil (Bbl) (excluding impact of cash settled derivatives)	\$ 45.67	\$ 42.78	\$ 2.89	7 %
Oil (Bbl) (including impact of cash settled derivatives)	45.47	46.69	(1.22)	(3)%
Natural gas (Mcf) (excluding impact of cash settled derivatives)	\$ 3.69	\$ 2.77	\$ 0.92	33 %
Natural gas (Mcf) (including impact of cash settled derivatives)	3.70	2.96	0.74	25 %
Total (BOE) (excluding impact of cash settled derivatives)	\$ 40.71	\$ 36.88	\$ 3.83	10 %
Total (BOE) (including impact of cash settled derivatives)	40.58	40.17	0.41	1 %
<b>Oil and natural gas revenues (in thousands):</b>				
Oil revenue	\$ 72,885	\$ 40,555	\$ 32,330	80 %
Natural gas revenue	9,398	4,590	4,808	105 %
Total	<u>\$ 82,283</u>	<u>\$ 45,145</u>	<u>\$ 37,138</u>	82 %
<b>Additional per BOE data:</b>				
Sales price (excluding impact of cash settled derivatives)	\$ 40.71	\$ 36.88	\$ 3.83	10 %
Lease operating expense (excluding gathering and treating expense)	5.56	5.70	(0.14)	(2)%
Gathering and treating expense	0.45	0.27	0.18	67 %
Production taxes	2.38	2.01	0.37	18 %
Operating margin	<u>\$ 32.32</u>	<u>\$ 28.90</u>	<u>\$ 3.42</u>	12 %
	<b>Six Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>% Change</b>
<b>Net production:</b>				
Oil (MBbls)	3,030	1,840	1,190	65 %
Natural gas (MMcf)	4,980	3,101	1,879	61 %
Total (MBOE)	3,860	2,357	1,503	64 %
Average daily production (BOE/d)	21,326	12,951	8,375	65 %
% oil (BOE basis)	79%	78%		
<b>Average realized sales price:</b>				
Oil (Bbl) (excluding impact of cash settled derivatives)	\$ 47.82	\$ 36.96	\$ 10.86	29 %
Oil (Bbl) (including impact of cash settled derivatives)	46.88	43.05	3.83	9 %
Natural gas (Mcf) (excluding impact of cash settled derivatives)	\$ 3.77	\$ 2.53	\$ 1.24	49 %
Natural gas (Mcf) (including impact of cash settled derivatives)	3.78	2.70	1.08	40 %
Total (BOE) (excluding impact of cash settled derivatives)	\$ 42.40	\$ 32.18	\$ 10.22	32 %
Total (BOE) (including impact of cash settled derivatives)	41.68	37.16	4.52	12 %
<b>Oil and natural gas revenues (in thousands):</b>				
Oil revenue	\$ 144,893	\$ 67,998	\$ 76,895	113 %
Natural gas revenue	18,754	7,845	10,909	139 %
Total	<u>\$ 163,647</u>	<u>\$ 75,843</u>	<u>\$ 87,804</u>	116 %
<b>Additional per BOE data:</b>				
Sales price (excluding impact of cash settled derivatives)	\$ 42.40	\$ 32.18	\$ 10.22	32 %
Lease operating expense (excluding gathering and treating expense)	6.06	5.82	0.24	4 %
Gathering and treating expense	0.44	0.23	0.21	91 %
Production taxes	2.78	1.98	0.80	40 %
Operating margin	<u>\$ 33.12</u>	<u>\$ 24.15</u>	<u>\$ 8.97</u>	37 %

## Revenues

The following table reconciles the change in oil, natural gas and total revenue for the respective periods presented by reflecting the effect of changes in volume and in the underlying commodity prices.

(in thousands)	<b>Oil</b>	<b>Natural Gas</b>	<b>Total</b>
Revenues for the three months ended June 30, 2016	\$ 40,555	\$ 4,590	\$ 45,145
Volume increase	27,721	2,471	30,192
Price increase	4,609	2,337	6,946
Net increase	32,330	4,808	37,138
Revenues for the three months ended June 30, 2017	\$ 72,885	\$ 9,398	\$ 82,283

(in thousands)	<b>Oil</b>	<b>Natural Gas</b>	<b>Total</b>
Revenues for the six months ended June 30, 2016	\$ 67,998	\$ 7,845	\$ 75,843
Volume increase	43,982	4,754	48,736
Price increase	32,913	6,155	39,068
Net increase	76,895	10,909	87,804
Revenues for the six months ended June 30, 2017	\$ 144,893	\$ 18,754	\$ 163,647

## Commodity prices

The prices for oil and natural gas can be volatile and sometimes experience large fluctuations as a result of relatively small changes in supply, weather conditions, economic conditions and actions by the Organization of Petroleum Exporting Countries and other countries and government actions. Prices of oil and natural gas will affect the following aspects of our business:

- our revenues, cash flows and earnings;
- the amount of oil and natural gas that we are economically able to produce;
- our ability to attract capital to finance our operations and cost of the capital;
- the amount we are allowed to borrow under our Credit Facility; and
- the value of our oil and natural gas properties.

For the three and six months ended June 30, 2017, the average NYMEX price for a barrel of oil was \$48.15 and \$49.95 per Bbl compared to \$45.59 and \$39.68 per Bbl for the same periods of 2016, respectively. The NYMEX price for a barrel of oil for the three and six months ended June 30, 2017 ranged from a low of \$42.53 per Bbl to a high of \$53.40 per Bbl and a low of \$42.53 per Bbl to a high of \$54.45 Bbl, respectively.

For the three and six months ended June 30, 2017, the average NYMEX price for natural gas was \$3.18 and \$3.25 per MMBtu compared to \$1.95 and \$2.02 per MMBtu for the same periods of 2016. The NYMEX price for natural gas for the three and six months ended June 30, 2017 ranged from a low of \$2.89 per MMBtu to a high of \$3.42 per MMBtu and a low of \$2.56 per MMBtu to a high of \$3.42 MMBtu, respectively.

## Oil revenue

For the quarter ended June 30, 2017, oil revenues of \$72.9 million increased \$32.3 million, or 80%, compared to revenues of \$40.6 million for the same period of 2016. The increase in oil revenue was primarily attributable to a 68% increase in production and a 7% increase in the average realized sales price, which rose to \$45.67 per Bbl in the second quarter of 2017 from \$42.78 per Bbl in the second quarter of 2016. The increase in production was attributable to 698 MBbls from wells placed on production as a result of our horizontal drilling program and 314 MBbls from producing wells added from our acquired properties. Offsetting these increases were normal and expected declines from our existing wells.

For the six months ended June 30, 2017, oil revenues of \$144.9 million increased \$76.9 million, or 113%, compared to revenues of \$68.0 million for the same period of 2016. The increase in oil revenue was primarily attributable to a 65% increase in production and a 29% increase in the average realized sales price, which rose to \$47.82 per Bbl for the six months ended June 30, 2017 from \$36.96 per Bbl for the same period of 2016. The increase in production was comprised of 1,293 MBbls attributable to wells placed on production as a result of our horizontal drilling program and 627 MBbls attributable to producing wells added from our acquired properties. Offsetting these increases were normal and expected declines from our existing wells.

See Note 2 in the Footnotes to the Financial Statements for additional information regarding the Company's acquisitions.



**Natural gas revenue (including NGLs)**

Natural gas revenues of \$9.4 million increased \$4.8 million, or 105%, during the three months ended June 30, 2017, compared to \$4.6 million for the same period of 2016. The increase primarily relates to a 54% increase in natural gas volumes and a 33% increase in the average realized sales price, which rose to \$3.69 per Mcf from \$2.77 per Mcf, reflecting both natural gas and natural gas liquids prices. The increase in production was comprised of 791 MMcf attributable to wells placed on production as a result of our horizontal drilling program and 514 MMcf attributable to producing wells added from our acquired properties. Offsetting these increases were normal expected declines from our existing wells.

Natural gas revenues of \$18.8 million increased \$10.9 million, or 139%, during the six months ended June 30, 2017, compared to \$7.8 million for the same period of 2016. The increase primarily relates to a 61% increase in natural gas volumes and a 49% increase in the average realized sales price, which rose to \$3.77 per Mcf from \$2.53 per Mcf, reflecting both natural gas and natural gas liquids prices. The increase in production was comprised of 1,395 MMcf attributable to wells placed on production as a result of our horizontal drilling program and 1,076 MMcf attributable to producing wells added from our acquired properties. Offsetting these increases were normal expected declines from our existing wells.

See Note 2 in the Footnotes to the Financial Statements for additional information regarding the Company's acquisitions.

**Operating Expenses**

(in thousands, except per unit amounts)

	Three Months Ended June 30,							
	2017	Per	2016	Per	Total Change		BOE Change	
		BOE		BOE	\$	%	\$	%
Lease operating expenses	\$ 12,145	\$ 6.01	\$ 7,311	\$ 5.97	\$ 4,834	66 %	\$ 0.04	1 %
Production taxes	4,820	2.38	2,455	2.01	2,365	96 %	0.37	18 %
Depreciation, depletion and amortization	26,213	12.97	16,293	13.31	9,920	61 %	(0.34)	(3)%
General and administrative	6,430	3.18	6,302	5.15	128	2 %	(1.97)	(38)%
Settled share-based awards	6,351	nm	—	nm	6,351	nm	nm	nm
Accretion expense	208	0.10	395	0.32	(187)	(47)%	(0.22)	(69)%
Write-down of oil and natural gas properties	—	nm	61,012	nm	(61,012)	nm	nm	nm
Acquisition expense	2,373	nm	1,906	nm	467	nm	nm	nm

(in thousands, except per unit amounts)

	Six Months Ended June 30,							
	2017	Per	2016	Per	Total Change		BOE Change	
		BOE		BOE	\$	%	\$	%
Lease operating expenses	\$ 25,084	\$ 6.50	\$ 14,268	\$ 6.05	\$ 10,816	76 %	\$ 0.45	7 %
Production taxes	10,723	2.78	4,675	1.98	6,048	129 %	0.80	40 %
Depreciation, depletion and amortization	50,646	13.12	32,015	13.58	18,631	58 %	(0.46)	(3)%
General and administrative	11,636	3.01	11,864	5.03	(228)	(2)%	(2.02)	(40)%
Settled share-based awards	6,351	nm	—	nm	6,351	nm	nm	nm
Accretion expense	392	0.10	575	0.24	(183)	(32)%	(0.14)	(58)%
Write-down of oil and natural gas properties	—	nm	95,788	nm	(95,788)	nm	nm	nm
Acquisition expense	2,822	nm	1,954	nm	868	nm	nm	nm

nm = not meaningful

**Lease operating expenses ("LOE").** These are daily costs incurred to extract oil and natural gas, together with the daily costs incurred to maintain our producing properties. Such costs also include maintenance, repairs, gas treating fees, salt water disposal, insurance and workover expenses related to our oil and natural gas properties.

For the three months ended June 30, 2017, LOE increased by 66% to \$12.1 million compared to \$7.3 million for the same period of 2016. Contributing to the increase was \$4.6 million related to oil and natural gas properties acquired during 2016 and the first half of 2017 (see Note 2 in the Footnotes to the Financial Statements). Excluding LOE related to these acquired properties, LOE increased by \$0.2 million, or 3%, compared to the same period of 2016, which was primarily due to an increase in cost driven by higher production volumes from our legacy assets. For the three months ended June 30, 2017, LOE per BOE increased to \$6.01 per BOE compared to \$5.97 per BOE for the same period of 2016, which was primarily attributable to an increase in cost as previously discussed offset by higher production

volumes. The increase in production was primarily attributable to an increased number of producing wells from our horizontal drilling program and acquisitions as discussed above.

For the six months ended June 30, 2017, LOE increased by 76% to \$25.1 million compared to \$14.3 million for the same period of 2016. Contributing to the increase was \$9.3 million related to oil and natural gas properties acquired during 2016 and the first half of 2017 (see Note 2 in the Footnotes to the Financial Statements). Excluding LOE related to these acquired properties, LOE increased by \$1.5 million, or 11%, compared to the same period of 2016, which was primarily due to an increase in cost driven by higher production volumes from our legacy assets. For the six months ended June 30, 2017, LOE per BOE increased to \$6.50 per BOE compared to \$6.05 per BOE for the same period of 2016, which was primarily attributable to an increase in cost as previously discussed offset by higher production volumes. The increase in production was primarily attributable to an increased number of producing wells from our horizontal drilling program and acquisitions as discussed above.

**Production taxes.** Production taxes include severance and ad valorem taxes. In general, production taxes are directly related to commodity price changes; however, severance taxes are based upon current year commodity prices, whereas ad valorem taxes are based upon prior year commodity prices. Severance taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at fixed rates established by federal, state or local taxing authorities. Where available, we benefit from tax credits and exemptions in our various taxing jurisdictions. In the counties where our production is located, we are also subject to ad valorem taxes, which are generally based on the taxing jurisdictions' valuation of our oil and gas properties.

Production taxes for the three months ended June 30, 2017 increased by 96% to \$4.8 million compared to \$2.5 million for the same period of 2016. The increase was primarily due to an increase in severance taxes, which was attributable to the increase in revenue. Also contributing to the increase was an increase in ad valorem taxes, which was attributable to an increase in the valuation of our oil and gas properties by taxing jurisdictions as a result of an increased number of producing wells from our horizontal drilling program, acquisitions as discussed above, and an increase in commodity prices year over year. On a per BOE basis, production taxes for the three months ended June 30, 2017 increased by 18% compared to the same period of 2016.

Production taxes for the six months ended June 30, 2017 increased by 129% to \$10.7 million compared to \$4.7 million for the same period of 2016. The increase was primarily due to an increase in severance taxes, which was attributable to the increase in revenue. Also contributing to the increase was an increase in ad valorem taxes, which was attributable to an increase in the valuation of our oil and gas properties by taxing jurisdictions as a result of an increased number of producing wells from our horizontal drilling program, acquisitions as discussed above, and an increase in commodity prices year over year. On a per BOE basis, production taxes for the three months ended June 30, 2017 increased by 40% compared to the same period of 2016.

**Depreciation, depletion and amortization ("DD&A").** Under the full cost accounting method, we capitalize costs within a cost center and then systematically expense those costs on a units-of-production basis based on proved oil and natural gas reserve quantities. We calculate depletion on the following types of costs: (i) all capitalized costs, other than the cost of investments in unevaluated properties, less accumulated amortization; (ii) the estimated future expenditures to be incurred in developing proved reserves; and (iii) the estimated dismantlement and abandonment costs, net of estimated salvage values. Depreciation of other property and equipment is computed using the straight line method over their estimated useful lives, which range from three to fifteen years.

For the three months ended June 30, 2017, DD&A increased 61% to \$26.2 million compared to \$16.3 million for the same period of 2016. The increase is primarily attributable to a 65% increase in production offset by a 3% decrease in our per BOE DD&A rate. For the three months ended June 30, 2017, DD&A on a per unit basis decreased to \$12.97 per BOE compared to \$13.31 per BOE for the same period of 2016. The decrease is attributable to our increased estimated proved reserves relative to our depreciable base and assumed future development costs related to undeveloped proved reserves as a result of additions made through our horizontal drilling efforts and acquisitions, offset by the write down of oil and natural gas properties in the first half of 2016.

For the six months ended June 30, 2017, DD&A increased 58% to \$50.6 million compared to \$32.0 million for the same period of 2016. The increase is primarily attributable to a 64% increase in production offset by a 3% decrease in our per BOE DD&A rate. For the six months ended June 30, 2017, DD&A on a per unit basis decreased to \$13.12 per BOE compared to \$13.58 per BOE for the same period of 2016. The decrease is attributable to our increased estimated proved reserves relative to our depreciable base and assumed future development costs related to undeveloped proved reserves as a result of additions made through our horizontal drilling efforts and acquisitions, offset by the write down of oil and natural gas properties in the first half of 2016.

**General and administrative, net of amounts capitalized ("G&A").** These are costs incurred for overhead, including payroll and benefits for our corporate staff, severance and early retirement expenses, costs of maintaining our headquarters, costs of managing our production and development operations, franchise taxes, depreciation of corporate level assets, public company costs, vesting of equity and liability awards under share-based compensation plans and related mark-to-market valuation adjustments over time, fees for audit and other professional services, and legal compliance.

G&A for the three months ended June 30, 2017 increased to \$6.4 million compared to \$6.3 million for the same period of 2016. G&A expenses for the periods indicated include the following (in millions):

	<b>Three Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Recurring expenses</b>				
G&A	\$ 5.5	\$ 3.7	\$ 1.8	49 %
Share-based compensation	1.0	0.6	0.4	67 %
Fair value adjustments of cash-settled RSU awards	(0.6)	2.0	(2.6)	(130)%
<b>Non-recurring expenses</b>				
Early retirement expenses	0.4	—	0.4	100 %
Early retirement expenses related to share-based compensation	0.1	—	0.1	100 %
<b>Total G&amp;A expenses</b>	<b>\$ 6.4</b>	<b>\$ 6.3</b>	<b>\$ 0.1</b>	<b>2 %</b>

G&A for the six months ended June 30, 2017 decreased to \$11.6 million compared to \$11.9 million for the same period of 2016. G&A expenses for the periods indicated include the following (in millions):

	<b>Six Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Recurring expenses</b>				
G&A	\$ 10.1	\$ 7.8	\$ 2.3	29 %
Share-based compensation	1.9	1.2	0.7	58 %
Fair value adjustments of cash-settled RSU awards	(0.9)	2.7	(3.6)	(133)%
<b>Non-recurring expenses</b>				
Early retirement expenses	0.4	—	0.4	100 %
Early retirement expenses related to share-based compensation	0.1	—	0.1	100 %
Expense related to a threatened proxy contest	—	0.2	(0.2)	(100)%
<b>Total G&amp;A expenses</b>	<b>\$ 11.6</b>	<b>\$ 11.9</b>	<b>\$ (0.3)</b>	<b>(3)%</b>

**Settled share-based awards.** In June 2017, the Company settled the outstanding share-based award agreements of its former Chief Executive Officer, resulting in \$6.4 million recorded on the Consolidated Statements of Operations as Settled share-based awards.

**Accretion expense.** The Company is required to record the estimated fair value of liabilities for obligations associated with the retirement of tangible long-lived assets and the associated ARO costs. Interest is accreted on the present value of the ARO and reported as accretion expense within operating expenses in the consolidated statements of operations.

Accretion expense related to our ARO decreased 47% and 32% for the three and six months ended June 30, 2017, compared to the same period of 2016. Accretion expense generally correlates with the Company's ARO, which was \$6.8 million at June 30, 2017 as compared to \$6.1 million at June 30, 2016. See Note 8 in the Footnotes to the Financial Statements for additional information regarding the Company's ARO.

**Acquisition expense.** Acquisition expense for the three months ended June 30, 2017 was related to costs with respect to our acquisition efforts in the Permian Basin. See Note 2 in the Footnotes to the Financial Statements for additional information regarding the Company's acquisitions.

**Write-down of oil and natural gas properties.** Under full cost accounting rules, the Company reviews the carrying value of its proved oil and natural gas properties each quarter. Under these rules, capitalized costs of oil and natural gas properties, net of accumulated depreciation, depletion and amortization and deferred income taxes, may not exceed the present value of estimated future net cash flows from proved oil and natural gas reserves, discounted at 10%, plus the lower of cost or fair value of unevaluated properties, net of related tax effects (the full cost ceiling amount). These rules require pricing based on the preceding 12-months' average oil and natural gas prices based on closing prices on the first day of each month and require a write-down if the net capitalized costs of proved oil and natural gas properties exceeds the full cost ceiling.

For the three and six months ended June 30, 2017, the Company did not recognize write-downs of oil and natural gas properties compared to write-downs of \$61.0 million and \$95.8 million for the same periods of 2016, respectively, as a result of the ceiling test limitation. At June 30, 2017, the average prices used in determining the estimated future net cash flows from proved reserves were \$48.95 per barrel of oil and \$3.01 per Mcf of natural gas. If commodity prices were to decline, we could incur additional ceiling test write-downs in the future.

The table below presents the cumulative results of the full cost ceiling test along with various pricing scenarios to demonstrate the sensitivity of our full cost ceiling to changes in 12-month average oil and natural gas prices. This sensitivity analysis is as of June 30, 2017, and accordingly, does not consider drilling results, production, changes in oil and natural gas prices, and changes in future development and operating costs subsequent to June 30, 2017 that may require revisions to our proved reserve estimates and resulting estimated future net cash flows used in the full cost ceiling test.

Pricing Scenarios	12-Month Average Prices		Excess (Deficit) of Full Cost Ceiling Over Net Capitalized Costs	
	Oil (\$/Bbl)	Natural gas (\$/Mcf)	(in thousands)	
June 30, 2017 Actual	\$ 48.95	\$ 3.01	\$ 291,266	
<b>Combined price sensitivity</b>				
Oil and natural gas +10%	\$ 53.85	\$ 3.31	\$ 526,973	
Oil and natural gas -10%	\$ 44.06	\$ 2.71	\$ 50,660	
<b>Oil price sensitivity</b>				
Oil +10%	\$ 53.85	\$ 3.01	\$ 505,082	
Oil -10%	\$ 44.06	\$ 3.01	\$ 72,551	
<b>Natural gas sensitivity</b>				
Natural gas +10%	\$ 48.95	\$ 3.31	\$ 312,252	
Natural gas -10%	\$ 48.95	\$ 2.71	\$ 265,381	

**Other Income and Expenses and Preferred Stock Dividends**

(in thousands)	<b>Three Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Interest expense, net of capitalized amounts	\$ 589	\$ 4,180	\$ (3,591)	(86)%
(Gain) loss on derivative contracts	(10,494)	15,484	(25,978)	(168)%
Other income	(64)	(96)	32	(33)%
Total	<u>\$ (9,969)</u>	<u>\$ 19,568</u>		
Income tax expense	\$ 322	\$ —	\$ 322	(100)%
Preferred stock dividends	(1,824)	(1,823)	(1)	— %

  

(in thousands)	<b>Six Months Ended June 30,</b>			
	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
Interest expense, net of capitalized amounts	\$ 1,254	\$ 9,671	\$ (8,417)	(87)%
(Gain) loss on derivative contracts	(25,797)	16,416	(42,213)	(257)%
Other income	(772)	(177)	(595)	336 %
Total	<u>\$ (25,315)</u>	<u>\$ 25,910</u>		
Income tax expense	\$ 789	\$ —	\$ 789	(100)%
Preferred stock dividends	(3,647)	(3,647)	—	— %

**Interest expense, net of capitalized amounts.** We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings under our Credit Facility or with term debt. We incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. We reflect interest paid to our lender in interest expense, net of capitalized amounts. In addition, we include the amortization of deferred financing costs (including origination and amendment fees), commitment fees and annual agency fees in interest expense.

Interest expense, net of capitalized amounts, incurred during the three months ended June 30, 2017 decreased \$3.6 million compared to the same period of 2016. The decrease is primarily attributable to a \$4.4 million increase in capitalized interest compared to the 2016 period, resulting from a higher average unevaluated property balance for the three months ended June 30, 2017 as compared to the same period of 2016. The increase in unevaluated property was primarily due to acquired properties. Offsetting the decrease was a \$0.8 million increase in interest expense on our Credit Facility and term debt.

Interest expense, net of capitalized amounts, incurred during the six months ended June 30, 2017 decreased \$8.4 million compared to the same period of 2016. The decrease is primarily attributable to an \$8.6 million increase in capitalized interest compared to the 2016 period, resulting from a higher average unevaluated property balance for the six months ended June 30, 2017 as compared to the same period of 2016. The increase in unevaluated property was primarily due to acquired properties. Offsetting the decrease was a \$0.1 million increase in interest expense on our Credit Facility and term debt.

See Notes 2 and 4 in the Footnotes to the Financial Statements for additional information on our acquisitions and debt.

**Gain (loss) on derivative instruments.** We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in commodity prices. This amount represents the (i) gain (loss) related to fair value adjustments on our open derivative contracts and (ii) gains (losses) on settlements of derivative contracts for positions that have settled within the period.

For the three months ended June 30, 2017, the net gain on derivative contracts was \$10.5 million compared to a \$15.5 million net loss for the same period of 2016. The net gain (loss) on derivative instruments for the periods indicated includes the following (in millions):

	<b>Three Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Oil derivatives</b>		
Net gain (loss) on settlements	\$ (0.3)	\$ 3.7
Net gain (loss) on fair value adjustments	10.1	(18.5)
Total gain (loss) on oil derivatives	<u>\$ 9.8</u>	<u>\$ (14.8)</u>
<b>Natural gas derivatives</b>		
Net gain on settlements	\$ —	\$ 0.3
Net gain (loss) on fair value adjustments	0.6	(1.0)
Total gain (loss) on natural gas derivatives	<u>\$ 0.6</u>	<u>\$ (0.7)</u>
<b>Total gain (loss) on oil &amp; natural gas derivatives</b>	<u>\$ 10.4</u>	<u>\$ (15.5)</u>

For the six months ended June 30, 2017, the net gain on derivative contracts was \$25.8 million compared to a \$16.4 million net loss for the same period of 2016. The net gain (loss) on derivative instruments for the periods indicated includes the following (in millions):

	<b>Six Months Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Oil derivatives</b>		
Net gain (loss) on settlements	\$ (2.8)	\$ 11.2
Net gain (loss) on fair value adjustments	27.4	(27.6)
Total gain (loss) on oil derivatives	<u>\$ 24.6</u>	<u>\$ (16.4)</u>
<b>Natural gas derivatives</b>		
Net gain on settlements	\$ 0.1	\$ 0.5
Net gain (loss) on fair value adjustments	1.2	(0.5)
Total gain on natural gas derivatives	<u>\$ 1.3</u>	<u>\$ —</u>
<b>Total gain (loss) on oil &amp; natural gas derivatives</b>	<u>\$ 25.9</u>	<u>\$ (16.4)</u>

See Notes 5 and 6 in the Footnotes to the Financial Statements for additional information on the Company's derivative contracts and disclosures related to derivative instruments.

**Income tax expense.** We use the asset and liability method of accounting for income taxes, under which deferred tax assets and liabilities are recognized for the future tax consequences of (1) temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and (2) operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are based on enacted tax rates applicable to the future period when those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period the rate change is enacted. When appropriate based on our analysis, we record a valuation allowance for deferred tax assets when it is more likely than not that the deferred tax assets will not be realized.

The Company had income tax expense of \$0.3 million and \$0.8 million for the three and six months ended June 30, 2017, compared to no benefit or expense for the same periods of 2016, respectively. The change in income tax expense is primarily related to deferred state income tax expense. The Company had a valuation allowance of \$115.9 million as of June 30, 2017. See Note 8 in the Footnotes to the Financial Statements for additional information.

**Preferred Stock dividends.** Preferred Stock dividends of \$1.8 million and \$3.6 million for the three and six months ended June 30, 2017 were consistent with dividends for the same periods of 2016, respectively. Dividends reflect a 10% dividend rate. See Note 9 in the Footnotes to the Financial Statements for additional information.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to a variety of market risks including commodity price risk, interest rate risk and counterparty and customer risk. We address these risks through a program of risk management including the use of derivative instruments.

*Commodity price risk*

The Company's revenues are derived from the sale of its oil and natural gas production. The prices for oil and natural gas remain volatile and sometimes experience large fluctuations as a result of relatively small changes in supply, weather conditions, economic conditions and government actions. From time to time, the Company enters into derivative financial instruments to manage oil and natural gas price risk, related both to NYMEX benchmark prices and regional basis differentials. The total volumes which we hedge through use of our derivative instruments varies from period to period; however, generally our objective is to hedge approximately 40% to 60% of our anticipated internally forecast production for the next 12 to 24 months, subject to the covenants under our Credit Facility. Our hedge policies and objectives may change significantly with movements in commodities prices or futures prices, in addition to modification of our capital spending plans related to operational activities and acquisitions.

The Company's hedging portfolio, linked to NYMEX benchmark pricing, covers approximately 2,261 MBbls and 2,452 MMBtu of our expected oil and natural gas production, respectively, for the remaining six months of 2017. We also have commodity hedging contracts linked to Midland WTI basis differentials relative to Cushing covering approximately 1,104 MBbls of our expected oil production for the remaining six months of 2017. See Note 5 in the Footnotes to the Financial Statements for a description of the Company's outstanding derivative contracts at June 30, 2017, and derivative contracts established subsequent to that date.

The Company may utilize fixed price swaps, which reduce the Company's exposure to decreases in commodity prices and limit the benefit the Company might otherwise have received from any increases in commodity prices. Swap contracts may also be enhanced by the simultaneous sale of call or put options to effectively increase the effective swap price as a result of the receipt of premiums from the option sales.

The Company may utilize price collars to reduce the risk of changes in oil and natural gas prices. Under these arrangements, no payments are due by either party as long as the applicable market price is above the floor price (purchased put option) and below the ceiling price (sold call option) set in the collar. If the price falls below the floor, the counter-party to the collar pays the difference to the Company, and if the price rises above the ceiling, the counterparty receives the difference from the Company. Additionally, the Company may sell put (or call) options at a price lower than the floor price (or higher than the ceiling price) in conjunction with a collar (three-way collar) and use the proceeds to increase either or both the floor or ceiling prices. In a three-way collar, to the extent that realized prices are below the floor price of the sold put option (or above the ceiling price of the sold call option), the Company's net realized benefit from the three-way collar will be reduced on a dollar-for-dollar basis.

The Company may purchase put and call options, which reduce the Company's exposure to decreases in oil and natural gas prices while allowing realization of the full benefit from any increases in oil and natural gas prices. If the price falls below the floor, the counterparty pays the difference to the Company.

The Company enters into these various agreements from time to time to reduce the effects of volatile oil and natural gas prices and does not enter into derivative transactions for speculative purposes. Presently, none of the Company's derivative positions are designated as hedges for accounting purposes.

*Interest rate risk*

The Company is subject to market risk exposure related to changes in interest rates on our indebtedness under our Credit Facility. Though we had no balance outstanding on our Credit Facility at June 30, 2017, based on a notional amount of \$10 million outstanding under the facility, an increase or decrease of 1% in the interest rate would have a corresponding increase or decrease in our annual net income of approximately \$0.1 million. See Note 4 to the Consolidated Financial Statements for more information on the Company's interest rates on its Credit Facility.

*Counterparty and customer credit risk*

The Company's principal exposures to credit risk are through receivables from the sale of our oil and natural gas production, joint interest receivables and receivables resulting from derivative financial contracts.

The Company markets its oil and natural gas production to energy marketing companies. We are subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. We do not require any of our customers to post

collateral, and the inability of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. At June 30, 2017 our total receivables from the sale of our oil and natural gas production were approximately \$46.2 million.

Joint interest receivables arise from billings to entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we have or intend to drill. We have little ability to control whether these entities will participate in our wells. At June 30, 2017 our joint interest receivables were approximately \$30.2 million.

Our oil and natural gas derivative arrangements expose us to credit risk in the event of nonperformance by counterparties. Most of the counterparties on our derivative instruments currently in place are lenders under our Credit Facility. We are likely to enter into additional derivative instruments with these or other lenders under our Credit Facility, representing institutions with investment grade ratings. We have existing International Swap Dealers Association Master Agreements (“ISDA Agreements”) with our derivative counterparties. The terms of the ISDA Agreements provide us and the counterparties with rights of offset upon the occurrence of defined acts of default by either us or a counterparty to a derivative, whereby the party not in default may offset all derivative liabilities owed to the defaulting party against all derivative asset receivables from the defaulting party.

#### **Item 4. Controls and Procedures**

*Disclosure controls and procedures.* Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is accumulated and communicated to the issuer’s management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our Chief Executive Officer and Chief Financial Officer performed an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive and principal financial officers have concluded that the Company’s disclosure controls and procedures were effective as of June 30, 2017.

*Changes in internal control over financial reporting.* There were no changes to our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.



**Part II. Other Information**

**Item 1. Legal Proceedings**

We are a defendant in various legal proceedings and claims, which arise in the ordinary course of our business. We do not believe the ultimate resolution of any such actions will have a material effect on our financial position or results of operations.

**Item 1A. Risk Factors**

There have been no material changes with respect to the risk factors disclosed in our 2016 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following exhibits are filed as part of this Form 10-Q.

Exhibit Number	Description
<b>3.</b>	<b>Articles of Incorporation and By-Laws</b>
3.1	Certificate of Incorporation of the Company, as amended through May 12, 2016 (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q, filed on November 3, 2016)
3.2	Certificate of Designation of Rights and Preferences of 10% Series A Cumulative Preferred Stock (incorporated by reference to Exhibit 3.5 of the Company's Form 8-A, filed on May 23, 2013)
3.3	Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form S-4, filed on August 4, 1994, Reg. No. 33-82408)
<b>4.</b>	<b>Instruments defining the rights of security holders, including indentures</b>
4.1	Specimen Common Stock Certificate (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4, filed on August 4, 1994, Reg. No. 33-82408)
4.2	Certificate for the Company's 10% Cumulative Preferred Stock (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A, filed on May 23, 2013)
4.3	Indenture of 6.125% Senior Notes Due 2024, dated as of October 3, 2016, among Callon Petroleum Company, the Guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on October 4, 2016)
4.4	Registration Rights Agreement of 6.125% Senior Notes Due 2024, dated May 24, 2017, among Callon Petroleum Company, Callon Petroleum Operating Company and J.P. Morgan Securities LLC, as representative of the Initial Purchasers named on Annex E thereto (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K, filed on May 24, 2017)
<b>10.</b>	<b>Material Contracts</b>
10.1 (a)	Amended and Restated Credit Facility, dated May 31, 2017
10.2	Purchase Agreement dated as of May 19, 2017, among Callon Petroleum Company, Callon Petroleum Operating Company and J.P. Morgan Securities, LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on May 24, 2017)
<b>31.</b>	<b>Section 13a-14 Certifications</b>
31.1 (a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 (a)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<b>32.</b>	<b>Section 1350 Certifications</b>
32.1 (b)	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<b>101.</b>	<b>(c) Interactive Data Files</b>
(a)	Filed herewith.
(b)	Furnished herewith. Pursuant to SEC Release No. 33-8212, this certification will be treated as "accompanying" this report and not "filed" as part of such report for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, except to the extent that the registrant specifically incorporates it by reference.
(c)	Pursuant to Rule 406T of Regulation S-T, these interactive data files are being furnished herewith and are not deemed filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Callon Petroleum Company**

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Joseph C. Gatto, Jr.</u> Joseph C. Gatto, Jr.	President and Chief Executive Officer	<u>August 2, 2017</u>
<u>/s/ Correne S. Loeffler</u> Correne S. Loeffler	Treasurer and Interim Chief Financial Officer	<u>August 2, 2017</u>

**SIXTH AMENDED AND RESTATED CREDIT AGREEMENT**

dated as of May 25, 2017

among

Callon Petroleum Company, as Borrower,

JPMorgan Chase Bank, N.A., as Administrative Agent,

Barclays Bank PLC, Regions Bank, Royal Bank of Canada, and SunTrust Bank, as Co-Documentation Agents,

and

The Lenders Party Hereto

JPMorgan Chase Bank, N.A., Capital One, National Association, Citibank, N.A., and The Bank of Nova Scotia,  
as Joint Lead Arrangers and Joint Bookrunners

#5421572

---

## TABLE OF CONTENTS

Page

	ARTICLE I	
DEFINITIONS AND ACCOUNTING MATTERS	1	
Section 1.01. Terms Defined Above	1	
Section 1.02. Certain Defined Terms	1	
Section 1.03. Types of Loans and Borrowings	27	
Section 1.04. Terms Generally; Rules of Construction	27	
Section 1.05. Accounting Terms and Determinations; GAAP	27	
	ARTICLE II	
THE REVOLVING CREDIT FACILITY	28	
Section 2.01. Commitments.	28	
Section 2.02. Revolving Credit Loans and Borrowings	30	
Section 2.03. Requests for Revolving Credit Borrowings	31	
Section 2.04. Funding of Revolving Credit Borrowings.	33	
Section 2.05. Termination and Reduction of Aggregate Maximum Credit Amounts.	34	
Section 2.06. Borrowing Base.	35	
Section 2.07. Letters of Credit.	37	
Section 2.08. Swing Line.	44	
	ARTICLE III	
PAYMENTS OF PRINCIPAL AND INTEREST ON REVOLVING CREDIT LOANS AND SWING LINE LOANS; PREPAYMENTS OF REVOLVING CREDIT LOANS; FEES	48	
Section 3.01. Repayment of Revolving Credit Loans and Swing Line Loans	48	
Section 3.02. Interest on Revolving Credit Loans and Swing Line Loans.	48	
Section 3.03. Prepayments of Revolving Credit Loans and Swing Line Loans.	49	
Section 3.04. Fees.	52	
	ARTICLE IV	
PAYMENTS; PRO RATA TREATMENT; SHARING OF SET-OFFS	53	
Section 4.01. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.	53	
Section 4.02. Deductions by the Administrative Agent; Defaulting Lender.	54	
Section 4.03. Disposition of Proceeds	56	
	ARTICLE V	
INCREASED COSTS; REIMBURSEMENT OF PREPAYMENT COSTS; TAXES; LIBO RATE AVAILABILITY	56	
Section 5.01. Increased Costs.	56	
Section 5.02. Reimbursement of Prepayment Costs	57	
Section 5.03. Taxes.	58	
Section 5.04. Mitigation Obligations; Designation of Different Lending Office	61	
Section 5.05. Replacement of Lenders	62	
Section 5.06. Circumstances Affecting LIBO Rate Availability	62	
Section 5.07. Laws Affecting LIBO Rate Availability	63	
Section 5.08. Eurodollar Lending Office	63	
Section 5.09. Right of Lenders to Fund through Branches and Affiliates	63	

---

**TABLE OF CONTENTS**  
**(continued)**

**Page**

	ARTICLE VI	
CONDITIONS PRECEDENT	63	
Section 6.01. Effectiveness	63	
Section 6.02. Each Credit Event	65	
Section 6.03. Additional Conditions to Credit Events		66
	ARTICLE VII	
REPRESENTATIONS AND WARRANTIES	66	
Section 7.01. Organization; Powers	66	
Section 7.02. Authority; Enforceability	66	
Section 7.03. Approvals; No Conflicts	67	
Section 7.04. Financial Condition; No Material Adverse Change.		67
Section 7.05. Litigation	67	
Section 7.06. Environmental Matters	67	
Section 7.07. Compliance with the Laws and Agreements; No Defaults.		68
Section 7.08. Investment Company Act	69	
Section 7.09. Taxes	69	
Section 7.10. ERISA.	69	
Section 7.11. Disclosure; No Material Misstatements		70
Section 7.12. Insurance	70	
Section 7.13. Restriction on Liens	71	
Section 7.14. Subsidiaries	71	
Section 7.15. Location of Business and Offices		71
Section 7.16. Properties; Titles, Etc.	71	
Section 7.17. Maintenance of Properties	72	
Section 7.18. Gas Imbalances, Prepayments.		72
Section 7.19. Marketing of Production	72	
Section 7.20. Swap Agreements	72	
Section 7.21. Use of Loans and Letters of Credit		72
Section 7.22. Solvency	73	
Section 7.23. Anti-Corruption Laws and Sanctions		73
Section 7.24. EEA Financial Institutions	73	
Section 7.25. Security Instruments	73	
	ARTICLE VIII	
AFFIRMATIVE COVENANTS	73	
Section 8.01. Financial Statements; Ratings Change; Other Information		73
Section 8.02. Notices of Material Events	76	
Section 8.03. Existence; Conduct of Business	76	
Section 8.04. Payment of Obligations	76	
Section 8.05. Performance of Obligations under Loan Documents		76
Section 8.06. Operation and Maintenance of Properties		77
Section 8.07. Insurance	77	
Section 8.08. Books and Records; Inspection Rights		77
Section 8.09. Compliance with Laws	78	
Section 8.10. Environmental Matters.	78	
Section 8.11. Further Assurances.	79	
Section 8.12. Reserve Reports.	79	

---

**TABLE OF CONTENTS**  
**(continued)**

**Page**

Section 8.13.	Title Information.	80	
Section 8.14.	Agreement to Pledge; Additional Guarantors.		81
Section 8.15.	ERISA Compliance	81	
Section 8.16.	Marketing Activities	82	
Section 8.17.	Unrestricted Subsidiaries	82	
Section 8.18.	Account Control Agreements.		83
Section 8.19.	Post-Closing	83	

ARTICLE IX

	NEGATIVE COVENANTS	83	
Section 9.01.	Financial Covenants.	83	
Section 9.02.	Debt	84	
Section 9.03.	Liens	85	
Section 9.04.	Restricted Payments	86	
Section 9.05.	Investments, Loans and Advances		86
Section 9.06.	Nature of Business; Organizational Changes		87
Section 9.07.	Proceeds of Loans	87	
Section 9.08.	ERISA Compliance	88	
Section 9.09.	Sale or Discount of Receivables		88
Section 9.10.	Mergers, Etc	89	
Section 9.11.	Sale of Properties	89	
Section 9.12.	Transactions with Affiliates		90
Section 9.13.	Subsidiaries	90	
Section 9.14.	Negative Pledge Agreements; Dividend Restrictions		91
Section 9.15.	Gas Imbalances	91	
Section 9.16.	Swap Agreements	91	
Section 9.17.	Designation and Conversion of Subsidiaries and Unrestricted Subsidiaries; Debt of Unrestricted Subsidiaries.	92	
Section 9.18.	Amendments to Permitted Unsecured Notes Documents		93
Section 9.19.	Use of Proceeds and Letters of Credit		93
Section 9.20.	Environmental Matters	93	
Section 9.21.	Amendments to Organizational Documents		93
Section 9.22.	Changes in Fiscal Periods; Accounting Change		93

ARTICLE X

	EVENTS OF DEFAULT; REMEDIES	94	
Section 10.01.	Events of Default	94	
Section 10.02.	Remedies.	95	

ARTICLE XI

	THE AGENTS	97	
Section 11.01.	Appointment of Administrative Agent		97
Section 11.02.	[Reserved]	97	
Section 11.03.	Scope of Administrative Agent's Duties		97
Section 11.04.	Successor Administrative Agent		97
Section 11.05.	Credit Decisions	98	
Section 11.06.	Authority of Administrative Agent to Enforce This Agreement.		98
Section 11.07.	Indemnification of Administrative Agent		98

---

**TABLE OF CONTENTS**  
**(continued)**

**Page**

Section 11.08. Knowledge of Default	99	
Section 11.09. Administrative Agent's Authorization; Action by Lenders		99
Section 11.10. Enforcement Actions by Administrative Agent		100
Section 11.11. Collateral Matters.	100	
Section 11.12. Agents in their Individual Capacities		100
Section 11.13. Administrative Agent's Fees	101	
Section 11.14. Co-Documentation Agent or other Titles		101
Section 11.15. No Reliance on Administrative Agent's Customer Identification Program		101
ARTICLE XII MISCELLANEOUS		101
Section 12.01. Notices.	101	
Section 12.02. Waivers; Amendments.		102
Section 12.03. Expenses, Indemnity; Damage Waiver.		103
Section 12.04. Successors and Assigns.	105	
Section 12.05. Survival; Revival; Reinstatement.		108
Section 12.06. Counterparts; Integration; Effectiveness.		109
Section 12.07. Severability	109	
Section 12.08. Right of Setoff.	109	
Section 12.09.	110	
GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS; WAIVER OF TRIAL BY JURY.		
Section 12.10. Headings	111	
Section 12.11. Confidentiality		111
Section 12.12. Interest Rate Limitation		111
Section 12.13. EXCULPATION PROVISIONS.		112
Section 12.14. Collateral Matters; Swap Agreements; Cash Management		113
Section 12.15. No Third Party Beneficiaries		113
Section 12.16. USA Patriot Act Notice		114
Section 12.17. Keepwell	114	
Section 12.18. Acknowledgement and Consent to Bail-In of EEA Financial Institutions		114
Section 12.19. Amendment and Restatement		115
Section 12.20. Assignment and Assumption of Assigned Interests		115
Section 12.21. Flood Insurance	115	

---



## TABLE OF CONTENTS

### Schedules and Exhibits:

Schedule 1.1	Applicable Margin
Schedule 1.2	Allocations
Schedule 1.3	Compliance Information
Schedule 7.04(c)	Material Debt and Liabilities
Schedule 7.05	Litigation
Schedule 7.06	Environmental Matters
Schedule 7.14	Subsidiaries
Schedule 7.19	Marketing Agreements
Schedule 7.20	Swap Agreements
Schedule 9.02	Existing Debt
Schedule 9.02(h)	Existing Unsecured
Notes Schedule 9.03	Existing Liens
Schedule 9.05	Investments
Schedule 12.01	Notices
Exhibit A	Form of Revolving Credit Note
Exhibit B	Form of Revolving Credit Borrowing Request
Exhibit C	Form of Compliance Certificate
Exhibit D	Security Instruments
Exhibit E	Form of Assignment and Assumption
Exhibit F	Form of Request for Swing Line Loan
Exhibit G	Form of Swing Line Note
Exhibit H	Form of Swing Line Participation Certificate
Exhibit I	Form of Notice of Issuance of Letter of Credit
Exhibit J-1	Form of U.S. Tax Compliance Certificate (Foreign Lenders; not partnerships)
Exhibit J-2	Form of U.S. Tax Compliance Certificate (Foreign Participants; not partnerships)
Exhibit J-3	Form of U.S. Tax Compliance Certificate (Foreign Participants; partnerships)
Exhibit J-4	Form of U.S. Tax Compliance Certificate (Foreign Lenders; partnerships)
Exhibit K	Form of Additional Lender Certificate
Exhibit L	Form of Elected Commitment Increase Certificate

---

## SIXTH AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of May 25, 2017, is among Callon Petroleum Company, a Delaware corporation (the “Borrower”), each of the Lenders from time to time party hereto, and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the “Administrative Agent”).

### RECITALS

A. The Borrower, the Administrative Agent, and the financial institutions party thereto as lenders entered into that certain Fifth Amended and Restated Credit Agreement dated as of March 11, 2014 (as amended, restated, supplemented or otherwise modified prior to the date hereof, the “Existing Credit Agreement”) whereby the lenders party thereto provided certain financial accommodations to the Borrower.

B. The Borrower has requested that the Lenders amend and restate the Existing Credit Agreement and provide certain loans to and extensions of credit on behalf of the Borrower as provided herein.

C. The Lenders have agreed to amend and restate the Existing Credit Agreement and make such loans and extensions of credit subject to the terms and conditions of this Agreement.

D. In consideration of the mutual covenants and agreements herein contained and of the loans, extensions of credit and commitments hereinafter referred to, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS AND ACCOUNTING MATTERS

Section 1.01. Terms Defined Above. As used in this Agreement, each term defined above has the meaning indicated above.

Section 1.02. Certain Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“ABR”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

“Additional Lender” has the meaning assigned to such term in Section 2.01(b)(i).

“Additional Lender Certificate” has the meaning assigned to such term in Section 2.01(b)(ii)(E).

“Adjusted EBITDAX” means (a) for the calculation of EBITDAX to be made for the fiscal quarter ending June 30, 2017, consolidated EBITDAX of the Borrower and the other Credit Parties for such fiscal quarter period then ended multiplied by four, (b) for the calculation of EBITDAX to be made for the two fiscal quarter period ending September 30, 2017, consolidated EBITDAX of the Borrower and the other Credit Parties for such two-fiscal quarter period then ended multiplied by two, (c) for the calculation of EBITDAX to be made for the three fiscal quarter period ending December 31, 2017, consolidated EBITDAX of the Borrower and the other Credit Parties for such three-fiscal quarter period then ended multiplied by 4/3, and (d) for the calculation of EBITDAX to be made for each fiscal quarter ending on or

---

after March 31, 2018, consolidated EBITDAX of the Borrower and the other Credit Parties for the four- fiscal quarter period then ended.

“Adjusted LIBO Rate” means with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

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

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Aggregate Elected Commitment Amount” at any time shall equal the sum of the Elected Commitments, as the same may be increased, reduced or terminated pursuant to Section 2.01(b). As of the Effective Date, the Aggregate Elected Commitment Amount is \$500,000,000.

“Aggregate Maximum Credit Amounts” at any time shall equal the sum of the Maximum Credit Amounts, as the same may be reduced or terminated pursuant to Section 2.05. As of the Effective Date, the Aggregate Maximum Credit Amounts of the Revolving Credit Lenders is \$2,000,000,000.

“Agreement” means this Sixth Amended and Restated Credit Agreement, as the same may from time to time be amended, modified, supplemented or restated.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period beginning on such day (or if such day is not a Business Day, on the immediately preceding Business Day) plus 1%, provided that, the Adjusted LIBO Rate for any day shall be based on the LIBO Rate at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively; provided further, that if the Alternate Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Applicable Margin” means, for any period, with respect to any ABR Revolving Credit Loan, ABR Swing Line Loan, Eurodollar Revolving Credit Loan or Letters of Credit, as the case may be, the rate *per annum* set forth in the Commitment Utilization Grid set forth on Schedule 1.1 and based upon the Commitment Utilization Percentage then in effect.

“Applicable Revolving Credit Percentage” means, with respect to any Revolving Credit Lender, the percentage of the Aggregate Maximum Credit Amounts represented by such Revolving Credit Lender’s Maximum Credit Amount as such percentage (which may be carried out to the seventh decimal place) is set forth on Schedule 1.2, provided that if the Commitments have terminated or expired, each Revolving Credit Lender’s Applicable Revolving Credit Percentages shall be determined based upon the Commitments most recently in effect.

“Approved Counterparty” means (a) any Secured Swap Party and (b) any other Person if such Person has (or the credit support provider of such Person has) a long term senior unsecured debt rating at the time of entry into the applicable Swap Agreement of BBB/Baa2 by S&P or Moody’s (or their equivalent) or higher.

“Approved Fund” means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in revolving bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by a Lender, an Affiliate of a Lender or an entity or an Affiliate of an entity that administers or manages a Lender.

“Approved Petroleum Engineers” means Huddleston & Co., Inc., Netherland, Sewell & Associates, Inc., and any other independent petroleum engineers reasonably acceptable to the Administrative Agent.

“Arrangers” means JPMorgan Chase Bank, N.A., Capital One, National Association, Citibank, N.A., and The Bank of Nova Scotia, in their capacities as the joint lead arrangers and joint bookrunners hereunder.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 12.04(b)), and accepted by the Administrative Agent, in the form of Exhibit E or any other form approved by the Administrative Agent.

“Availability Period” means the period from and including the Effective Date to but excluding the Termination Date.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America or any successor Governmental Authority.

“Borrowing” means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

“Borrowing Base” means at any time an amount equal to the amount determined in accordance with Section 2.06, as the same may be adjusted from time to time pursuant to the Borrowing Base Adjustment Provisions. As of the Effective Date the Borrowing Base is \$650,000,000.

“Borrowing Base Adjustment Provisions” means Section 2.06(e), Section 8.13(c), and Section 9.11 in each case which may adjust (as opposed to redetermine) the amount of the Borrowing Base.

“Borrowing Base Deficiency Notice” has the meaning assigned to such term in Section 3.03(c)(ii) hereof.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to remain closed; provided that, when

used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

“Capital Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder.

“Cash Collateralize” means to pledge and deposit with or deliver to the Administrative Agent (as a first priority, perfected security interest), for the benefit of the Issuing Bank and the Revolving Credit Lenders, cash in Dollars, at a location and pursuant to documentation in form and substance satisfactory to the Administrative Agent.

“Cash Management Agreement” means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

“Cash Management Bank” means any Person that, at the time it enters into a Cash Management Agreement, is a Lender or an Affiliate of a Lender, in its capacity as a party to such Cash Management Agreement.

“CERCLA” has the meaning assigned to such term in the definition of Environmental Laws.

“Change in Control” means:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of 40% or more of the outstanding voting securities of the Borrower on a fully diluted basis;

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or

(c) the Borrower shall fail beneficially to own, directly or indirectly, 100% of the outstanding shares of voting capital stock or other Equity Interests of any of its subsidiaries (other than Joint Ventures) on a fully-diluted basis except pursuant to a sale or other transaction permitted by this Agreement.

“Change in Law” has the meaning ascribed to such term in Section 5.01(b) hereof.

“CIP Regulations” has the meaning ascribed to such term in Section 11.15(a) hereof.

“Co-Documentation Agents” means, collectively Barclays Bank PLC, Regions Bank, Royal Bank of Canada, and SunTrust Bank as Co-Documentation Agents, and “Co-Documentation Agent” means any of them.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

“Collateral” means all Property which is subject to a Lien under one or more Security Instruments.

“Commitment” means, with respect to each Revolving Credit Lender, the commitment of such Revolving Credit Lender to make Revolving Credit Loans and to acquire participations in Letters of Credit and Swing Line Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Revolving Credit Lender’s Revolving Credit Exposure hereunder, as such commitment may be modified from time to time pursuant to Section 2.01(b) and Section 2.05 and modified from time to time pursuant to assignments by or to such Revolving Credit Lender pursuant to Section 12.04(b). The amount representing each Revolving Credit Lender’s Commitment shall at any time be the least of such Revolving Credit Lender’s (a) Maximum Credit Amount, (b) Applicable Revolving Credit Percentage of the then effective Borrowing Base and (c) Elected Commitment.

“Commitment Fee” has the meaning ascribed to such term in Section 3.04(a) hereof.

“Commitment Fee Rate” means a rate *per annum* set forth in the Commitment Utilization Grid on Schedule 1.1.

“Commitment Utilization Percentage” means, as of any day, the fraction expressed as a percentage, the numerator of which is the sum of the Revolving Credit Exposures of the Revolving Credit Lenders on such day, and the denominator of which is the least of the Borrowing Base, the Aggregate Elected Commitment Amount, and the Aggregate Maximum Credit Amounts, in each case, in effect on such day.

“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.

“Condemnation Proceeds” shall mean the cash proceeds received by the Borrower or any of its Subsidiaries in respect of any condemnation proceeding net of reasonable fees and expenses (including without limitation attorneys’ fees and expenses) incurred in connection with the collection thereof.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated Net Income” means with respect to the Borrower and the other Credit Parties, for any period, the aggregate of the net income (or loss) of the Borrower and the other Credit Parties after allowances for taxes for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of any Person in which the Borrower or any other Credit Party has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Borrower and the other Credit Parties in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to the Borrower or to any other Credit Party, as the case may be; (b) the net income (but not loss) during such period of any Credit Party to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Credit Party is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Credit Party or is

otherwise restricted or prohibited, in each case determined in accordance with GAAP; (c) any extraordinary gains or losses during such period; (d) any non-cash gains or losses or positive or negative adjustments under ASC 815 (and any statements replacing, modifying or superseding such statement) as a result of changes in the fair market value of derivatives, and (e) any gains or losses attributable to writeups or writedowns of assets, including ceiling test writedowns. For the purposes of calculating Consolidated Net Income for any period of four (4) consecutive fiscal quarters in connection with any determination of the Leverage Ratio (the “Reference Period”), and without duplication of any additions to or subtractions from EBITDAX for the same items set forth in the definition thereof, (i) if at any time during such Reference Period the Borrower or any other Credit Party shall have made any Material Disposition, the Consolidated Net Income for such Reference Period shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to the Property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such Reference Period and (ii) if during such Reference Period the Borrower or any other Credit Party shall have made a Material Acquisition, the Consolidated Net Income for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Control Agreement” means a deposit account control agreement or securities account control agreement (or similar agreement), as applicable, in form and substance reasonably satisfactory to the Administrative Agent, executed by the applicable Credit Party, the Administrative Agent and the relevant financial institution party thereto, which establishes the Administrative Agent’s control (within the meaning of Section 9-104 of the UCC) with respect to the applicable Deposit Account or Securities Account covered thereby.

“Credit Parties” shall mean the Borrower and the Guarantors, and “Credit Party” shall mean any one of them, as the context indicates or otherwise requires.

“Current Assets” means, as of any date of determination, without duplication, the sum of all amounts that would, in accordance with GAAP, be set forth opposite the caption “total current assets” (or any like caption) on a consolidated balance sheet of the Borrower and the other Credit Parties at such date, plus the unused Commitments then available to be borrowed, but excluding (a) all non-cash assets under ASC 815 and (b) any cash or securities subject to Liens permitted by Section 9.03(f).

“Current Liabilities” means, as of any date of determination, without duplication, the sum of all amounts that would, in accordance with GAAP, be set forth opposite the caption “total current liabilities” (or any like caption) on a consolidated balance sheet of the Borrower and the other Credit Parties on such date, but excluding (a) all non-cash obligations under ASC 815 and (b) the current portion of the Loans and obligations in respect of Letters of Credit under this Agreement.

“Debt” means, for any Person, the sum of the following (without duplication):

- (a) all obligations of such Person for borrowed money or evidenced by bankers’ acceptances, debentures, notes, bonds or other similar instruments;
- (b) all obligations of such Person (whether contingent or otherwise) in respect of letters of

credit, bank guarantees and similar instruments;

(c) all accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property;

(d) all obligations under Capital Leases or Synthetic Leases;

(e) all Debt (as defined in the other clauses of this definition) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) a Lien on any Property of such Person to the extent of the value of the Property of such Person which is subject to a Lien securing such Debt, whether or not such Debt is assumed by such Person;

(f) all Debt (as defined in the other clauses of this definition) of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the Debt (howsoever such assurance shall be made, including by means of obligations to pay for goods or services even if such goods or services are not actually taken, received or utilized or by means of) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss;

(g) any Debt of a partnership for which such Person is liable either by agreement, by operation of law or by a Governmental Requirement but only to the extent of such liability; and

(h) all Disqualified Capital Stock;

(i) all obligations of such Person under take/ship or pay contracts if any goods or services are not actually received or utilized by such Person; and

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

The Debt of any Person shall include all obligations of such Person of the character described above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is not included as a liability of such Person under GAAP; provided, however, that "Debt" does not include (i) obligations with respect to surety, performance or appeal bonds and similar instruments, or (ii) accounts payable that are not greater than one year past the date of invoice or delinquent or that are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP).

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to (i) fund all or any portion of its Applicable Revolving Credit Percentage of any Revolving Credit Loans within two (2) Business Days of the date such Revolving Credit Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's good faith determination that one or more conditions precedent to funding (each of which conditions precedent together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Issuing Bank, any Swing Line Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swing Line Loans) within two (2) Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent, the Issuing Bank or the Swing Line Lender in writing that it does not intend or expect to comply with its funding obligations hereunder or has



made a public statement to that effect (unless such writing or public statement is based on such Lender's good faith determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically

identified in such writing or public statement) cannot be satisfied), (c) has failed, within three (3) Business Days after written request by the Administrative Agent, the Issuing Bank, any Swing Line Lender or any other Lender, acting in good faith, to confirm in writing that it will comply with its prospective funding obligations hereunder (and is financially able to meet such obligations); provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt by the requesting party and the Administrative Agent of such written confirmation in form and substance satisfactory to such requesting party and the Administrative Agent, or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under the any 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, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) has become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority, so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Lender; provided, further, that the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official by a supervisory authority or regulator with respect to a Lender or a direct or indirect parent company under the Dutch Financial Supervision Act 2007 (as amended from time to time and including any successor legislation) shall not be deemed to result in an event described in clause (d) hereof so long as such appointment does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from enforcement of judgments or writs of attachment on its assets or permit such Lender (or such administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official or Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination to the Borrower, the Issuing Bank, each Swing Line Lender and each Lender.

“Defaulting Lender's Unfunded Portion” means such Defaulting Lender's Applicable Revolving Credit Percentage of the Aggregate Maximum Credit Amount minus the sum of (a) the aggregate principal amount of all Revolving Credit Loans funded by the Defaulting Lender, plus (b) such Defaulting Lender's Applicable Revolving Credit Percentage of the aggregate outstanding principal amount of all Swing Line Loans and Letter of Credit Obligations.

“Deposit Account” has the meaning assigned to such term in the UCC.

“Disqualified Capital Stock” means (a) any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event, matures or is mandatorily redeemable (other than customary redemption provisions in connection with changes in control that also constitute an Event of Default hereunder or certain asset dispositions) for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock), pursuant to a sinking fund obligation or

otherwise, or is convertible or exchangeable for Debt or redeemable for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock) at the option of the holder thereof, in whole or in part (but if in part only with respect to such amount that meets the criteria set forth in this definition), on or prior to the date that is one year after the Revolving

Credit Maturity Date and (b) any preferred Equity Interest that does not constitute Refinancing Preferred Stock or Existing Preferred Stock.

“Dollars” or “\$” refers to lawful money of the United States of America.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

“E&P Credit Party” shall have the meaning set forth in Section 9.11.

“EBITDAX” means, for any period, Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: the sum of

(a) interest, income taxes, depreciation, depletion, amortization, exploration and abandonment expenses and accretion expenses related to FAS 143 (superseded primarily by ASC 410) and expenses recognized under FAS 123(r) and FAS 133 (superseded primarily by ASC 718 and ASC 815, respectively), (b) one- time transaction costs, expenses and charges deducted from Consolidated Net Income with respect to any equity or Debt offerings or any acquisition by any Credit Party and (c) all other noncash charges, minus all noncash income added to Consolidated Net Income. For the purposes of calculating EBITDAX for any Reference Period pursuant to any determination of the Leverage Ratio, and without duplication of any additions to or subtractions from Consolidated Net Income for the same items set forth in the definition thereof, (i) if at any time during such Reference Period any Credit Party shall have made any Material Disposition, the EBITDAX for such Reference Period shall be reduced by an amount equal to the EBITDAX (if positive) attributable to the Property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the EBITDAX (if negative) attributable thereto for such Reference Period and (ii) if during such Reference Period any Credit Party shall have made a Material Acquisition, the EBITDAX for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period.

“EEA Financial Institution” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date” means the date on which the conditions specified in Section 6.01 are satisfied (or waived in accordance with Section 12.02).

“Elected Commitment” means, as to each Lender, the amount set forth opposite such Lender’s name on Schedule 1.2 under the caption “Elected Commitment”, as the same may be increased, reduced or terminated from time to time in connection with an increase, reduction or termination of the Aggregate Elected Commitment Amount pursuant to Section 2.01(b) or Section 2.05.

“Elected Commitment Increase Certificate” has the meaning assigned to such term in Section 2.01(b)(ii)(D).

“Engineering Reports” has the meaning assigned to such term in Section 2.06(c)(i).

“Environmental Laws” means any and all Governmental Requirements pertaining in any way to public health, the environment, the preservation or reclamation of natural resources, or the management, Release or threatened Release of any Hazardous Materials, in effect in any and all jurisdictions in which the Borrower or any of its Subsidiaries is conducting, or at any time has conducted, business, or where any Property of the Borrower or any of its Subsidiaries is located, including, the Oil Pollution Act of 1990 (“OPA”), as amended, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 (“CERCLA”), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 (“RCRA”), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Law, as amended, and other environmental conservation or protection Governmental Requirements.

“Environmental Permit” means any permit, registration, license, approval, consent, exemption, variance, or other authorization required under or issued pursuant to applicable Environmental Laws.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such Equity Interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute.

“ERISA Affiliate” means each trade or business (whether or not incorporated) which together with any Credit Party would be deemed to be a “single employer” within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Eurodollar” when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

“Event of Default” has the meaning assigned to such term in Section 10.01.

“Excepted Liens” means: (a) Liens for Taxes, assessments or other governmental charges or levies which are not delinquent or which (provided foreclosure, sale, or other similar proceedings shall have not been initiated) are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (b) Liens in connection with workers’ compensation, unemployment insurance or other

social security, old age pension or public liability 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; (c) landlord's liens, operators', vendors', carriers', warehousemen's, repairmen's, mechanics', suppliers', workers', materialmen's, construction or other like Liens of law arising in the ordinary course of business each of which is in respect of obligations that 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) Liens which arise in the ordinary course of business under operating agreements, joint venture agreements, oil and gas partnership

agreements, oil and gas leases, farm-out agreements, division orders, contracts for the sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements, overriding royalty agreements, marketing agreements, processing agreements, net profits agreements, development agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or other geophysical permits or agreements, and other agreements which are usual and customary in the oil and gas business and are entered into in the ordinary course of business and are for claims 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, provided that any such Lien referred to in this clause does not materially impair the use of any Property covered by such Lien for the purposes for which such Property is held by any Credit Party or materially impair the value of any Property subject thereto; provided, further that all of such Liens are taken into account in computing the net revenue interests and working interests of the Borrower or any other Credit Party warranted herein or in the Security Instruments; (e) easements, restrictions, servitudes, permits, conditions, covenants, exceptions, reservations, zoning and land use requirements and other title defects in any Property of any Credit Party, that in each case are customarily accepted in the oil and gas financing industry, do not secure Debt and that do not materially impair the use of such Property for the purposes of which such Property is held by any Credit Party, interfere with the ordinary conduct of the business of the Borrower and any other Credit Party, or materially impair the value of such Property subject thereto; (f) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business; (g) judgment and attachment Liens not giving rise to an Event of Default, provided that any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced; (h) licenses of intellectual property, none of which, in the aggregate, interfere in any material respect with the business of the Borrower or its Subsidiaries or materially detract from the value of the relevant assets of the Borrower or its Subsidiaries; (i) Liens, titles and interests of lessors (including sublessors) of property leased by such lessors to Borrower or any Subsidiary, restrictions and prohibitions on encumbrances and transferability with respect to such property and any Credit Party's interests therein imposed by such leases, and Liens and encumbrances encumbering such lessors' titles and interests in such property and to which any Credit Party's leasehold interests may be subject or subordinate, in each case, whether or not evidenced by UCC financing statement filings or other documents of record, provided that such Liens do not secure Debt of any Credit Party and do not encumber Property of any Credit Party other than the Property that is the subject of such leases and items located thereon; and (j) Liens on the Equity Interests of Unrestricted Subsidiaries. Provisions in the Loan Documents allowing Excepted Liens or other Permitted Liens on any item of Property shall be construed to allow such Excepted Liens and other Permitted Liens also to cover any improvements, fixtures or accessions to such Property and the proceeds of such Property, improvements, fixtures or accessions. No intention to subordinate any Lien granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of any Excepted Liens.

"Excluded Account" means (a) each account all or substantially all of the deposits in which consist of

amounts utilized to fund payroll, employee benefit or tax obligations of the Credit Parties, (b) fiduciary, trust or escrow accounts, (c) “zero balance” accounts, (d) any account that is pledged to a third party to the extent such Lien is permitted by the Loan Documents, (e) accounts all or substantially all of the deposits in which consist of monies of third parties, including working interest owners, royalty owners and the like, and (f) other accounts so long as the aggregate average daily maximum balance in any such other account over a 30-day period does not at any time exceed \$5,000,000; provided that the aggregate daily maximum balance for all such bank accounts excluded pursuant to this clause (f) on any day shall not exceed \$10,000,000.

“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 of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any Guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act (determined after giving effect to Section 12.17 and any other “keepwell, support or other agreement” for the benefit of such Guarantor and any and all guarantees of such Guarantor’s Swap Obligations by other Credit Parties) at the time the Guaranty of such Guarantor, or a grant by such Guarantor of a security interest, becomes effective with respect to such Swap Obligation. 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 or security interest is or becomes excluded in accordance with the first sentence of this definition.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Credit Party hereunder or under any other Loan Document, (a) Taxes imposed on or measured by net income (however denominated), franchise taxes (including Texas margin tax), and branch profits Taxes, in each case, (i) imposed as a result of such recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office is located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender (other than an assignee pursuant to a request by the Borrower under Section 5.05), any United States federal withholding tax that is imposed on amounts payable to such Lender pursuant to a law in effect at the time such Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts with respect to such withholding tax pursuant to Section 5.03(a) or Section 5.03(c), (c) taxes attributable to such recipient’s failure to comply with Section 5.03(e) and (d) any United States federal withholding taxes imposed by FATCA.

“Existing Preferred Stock” means the 10.0% Series A Cumulative Preferred Stock of the Borrower outstanding on the Effective Date.

“Existing Secured Swap Agreements” means those certain Hedge Contracts entered into with Swap Counterparties under the Existing Credit Agreement (as such terms are defined therein).

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement, (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code, any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code and any fiscal or regulatory legislation, rules or official administrative practices adopted

pursuant to such intergovernmental agreement.

“Federal Funds Effective Rate” means, for any day, the rate calculated by the NYFRB based on such day’s federal funds transactions by depository institutions (as determined in such manner as the NYFRB shall set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as the federal funds effective rate.

“Fee Letter” means the fee letter dated May 25, 2017, among the Borrower and JPMorgan Chase Bank, N.A., as amended, restated, supplemented or otherwise modified from time to time.

“Financial Officer” means, for any Person, the chief executive officer, chief financial officer, principal accounting officer, general counsel, treasurer, controller or other natural person principally responsible for the financial matters of such Person. Unless otherwise specified, all references herein to a Financial Officer means a Financial Officer of the Borrower.

“Financial Statements” means the financial statement or statements of the Borrower and its consolidated Subsidiaries referred to in Section 7.04(a).

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

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

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time subject to the terms and conditions set forth in Section 1.05.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including without limitation any supranational bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Governmental Requirement” means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, rules of common law, authorization or other directive or requirement, whether now or hereinafter in effect, of any Governmental Authority.

“Guarantors” means the Borrower and each Subsidiary of the Borrower that guarantees the Obligations pursuant to Section 8.14(b) and each other Person executing a Guaranty Agreement.

“Guaranty Agreement” means an agreement executed by the Guarantors in form and substance satisfactory to the Administrative Agent unconditionally guarantying on a joint and several basis, payment of the Obligations, as the same may be amended, modified or supplemented from time to time

“Hazardous Material” means any substance regulated or as to which liability might arise under any

applicable Environmental Law including: (a) any chemical, compound, material, product, byproduct, substance or waste defined as or included in the definition or meaning of “hazardous substance,” “hazardous material,” “hazardous waste,” “solid waste,” “toxic waste,” “extremely hazardous substance,” “toxic substance,” “contaminant,” “pollutant,” or words of similar meaning or import found in any applicable Environmental Law; (b) Hydrocarbons, petroleum products, petroleum substances, natural gas, oil, oil and gas waste, crude oil, and any components, fractions, or derivatives thereof; and (c) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, infectious or medical wastes.

“Highest Lawful Rate” means, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Notes or on other Obligations under laws applicable to such Lender which are presently in effect or, to

the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature. Unless otherwise indicated herein, each reference to the term “Hydrocarbon Interests” shall mean Hydrocarbon Interests of the Credit Parties.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“Impacted Interest Period” has the meaning given to such term in the definition of “LIBO Rate”.

“Increased Costs” has the meaning ascribed to such term in Section 5.01(b) hereof.

“Increasing Lender” has the meaning assigned such term in Section 2.01(b).

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Industry Competitor” means any Person (other than any Credit Party or any of their Affiliates or Subsidiaries) that is (or one or more of whose Affiliates are readily identifiable on the basis of its name) actively engaged as one of its principal businesses in the exploration, development or production of Oil and Gas Properties; provided, the term “Industry Competitor” is deemed to exclude any Lender, any Approved Fund or any of their respective Affiliates, in each case that is actively engaged in the making of revolving loans.

“Initial Reserve Report” means, collectively, the report of engineers employed by the Borrower dated as of February 28, 2017, with respect to the Oil and Gas Properties of the Credit Parties.

“Insurance Proceeds” shall mean the cash proceeds received by the Borrower or any of its Subsidiaries from any insurer in respect of any damage or destruction of any property or asset net of reasonable fees and expenses (including without limitation attorneys’ fees and expenses) incurred solely in connection with the recovery thereof.

“Interest Payment Date” means with respect to any ABR Revolving Credit Loan, the first day of each March, June, September and December and with respect to any Eurodollar Revolving Credit Loan, the last day of the Interest Period applicable to the Revolving Credit Borrowing of which such Revolving Credit Loan is a part; provided, however, that if any Interest Period applicable to the Revolving Credit Borrowing of which such Revolving Credit Loan is a part exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates.

“Interest Period” means (a) with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three, six or, if then available to all Lenders, twelve months thereafter, in each case, as the Borrower may elect and (b) with respect to a Swing Line Loan carried at the Quoted Rate, an interest period of 30 days (or any lesser number of days agreed to in advance by the Borrower, the Administrative Agent and the Swing Line Lender); provided, that if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Interim Redetermination” has the meaning assigned to such term in Section 2.06(b).

“Interim Redetermination Date” means the date on which a Borrowing Base that has been redetermined pursuant to an Interim Redetermination becomes effective as provided in Section 2.06(d).

“Interpolated Rate” means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period (for which the LIBO Screen Rate is available) that is shorter than the Impacted Interest Period and (b) the LIBO Screen Rate for the shortest period (for which the LIBO Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

“Investment” means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person or any agreement to make any such acquisition (including, without limitation, any “short sale” or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any advance, loan or capital contribution to, assumption of Debt of, purchase or other acquisition of any other Debt or equity participation or interest in, or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person, but excluding any such advance, loan or extension of credit having a term not exceeding one hundred twenty (120) days representing the purchase price of inventory or supplies sold by such Person in the ordinary course of business); (c) the purchase or acquisition (in one or a series of transactions) of Property of another Person that constitutes a business unit; or the entering into of any guarantee of, or other surety obligation (including the deposit of any Equity Interests to be sold) with respect to, Debt of any other Person.

“Issuing Bank” means (a) JPMorgan Chase Bank, N.A., in its capacity as issuer of one or more Letters of



Credit hereunder, (b) any other Lender designated in writing, from time to time, to the Administrative Agent by the Borrower (and consented to by such Lender), as an issuer of one or more Letters of Credit hereunder, and (c) any successor that agrees to act in such capacity and is designated by Borrower and the Majority Revolving Credit Lenders.

“Issuing Office” means such office as the Issuing Bank shall designate as its Issuing Office.

“Joint Venture” means general or limited partnerships, limited liability companies, or other types of entities engaged principally in oil and gas exploration, development, production, processing and related activities, including gathering, processing and transportation.

“L/C Indemnified Amounts” has the meaning ascribed to such term in Section 2.07(i) hereof.

“L/C Indemnified Person” has the meaning ascribed to such term in Section 2.07(i) hereof.

“Lenders” means the Persons listed on Schedule 1.2, any Person that shall have become a party hereto pursuant to an Assignment and Assumption, and any Person that shall have become a party hereto as an Additional Lender pursuant to Section 2.01(b), other than, in each case, any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption, and shall include the Revolving Credit Lenders and the Swing Line Lenders.

“Letter(s) of Credit” means any standby letters of credit issued by the Issuing Bank at the request of the Borrower pursuant to Section 2.07 hereof.

“Letter of Credit Agreement” means, collectively, the letter of credit application and related documentation executed and/or delivered by the Borrower in respect of each Letter of Credit, in each case satisfactory to the Issuing Bank, as amended, restated, amended and restated, supplemented or otherwise modified from time to time.

“Letter of Credit Documents” shall have the meaning ascribed to such term in Section 2.07(g)(i) and (ii) hereof.

“Letter of Credit Fees” means the fees payable in connection with Letters of Credit pursuant to Section 2.07(d)(i)(A) and (B) hereof.

“Letter of Credit Maximum Amount” means Fifty Million Dollars (\$50,000,000).

“Letter of Credit Obligations” means at any date of determination, the sum of (a) the aggregate undrawn amount of all Letters of Credit then outstanding, and (b) the aggregate amount of Reimbursement Obligations which remain unpaid as of such date.

“Letter of Credit Payment” means any amount paid or required to be paid by the Issuing Bank in its capacity hereunder as issuer of a Letter of Credit as a result of a draft or other demand for payment under any Letter of Credit.

“Leverage Ratio” has the meaning ascribed to such term in Section 9.01(b) hereof.

“LIBO Rate” means, with respect to any Eurodollar Borrowing for any Interest Period, the London

interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for U.S. Dollars for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; in each case the “LIBO Screen Rate”) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided that if the LIBO Screen Rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; provided further that if the Screen Rate shall not be available at such time for such Interest Period (an “Impacted Interest Period”) then the LIBO Rate shall be the Interpolated Rate; provided that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“LIBO Screen Rate” has the meaning assigned to such term in the definition of “LIBO Rate”.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to the lien or security

interest arising from a mortgage, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. For the purposes of this Agreement, the Credit Parties shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

“Liquid Investments” means any Investment of the type described in clause (c) through (f) of Section 9.05.

“Liquidity” means (a) the aggregate, unused Maximum Credit Amount plus any unrestricted cash and Liquid Investments of the Credit Parties.

“Loan Documents” means this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit, the Security Instruments, the Fee Letter, and each other agreement, instrument, or document executed by the Borrower, any Guarantor, or any Subsidiary of the Borrower or a Guarantor or any of their officers at any time in connection with this Agreement. For the avoidance of doubt, “Loan Documents” does not include Secured Swap Agreements or participation or similar agreements between any Lender and any other lender or creditor with respect to any Obligations pursuant to this Agreement.

“Loans” means, collectively, the Revolving Credit Loans and the Swing Line Loans.

“Majority Revolving Credit Lenders” means at any time (a) so long as the Aggregate Maximum Credit Amounts have not been terminated, the Non-Defaulting Lenders holding more than fifty percent (50%) of the aggregate Commitments and (b) if the Aggregate Maximum Credit Amounts have been terminated (whether by maturity, acceleration or otherwise), the Non-Defaulting Lenders holding more than fifty percent (50%) of the aggregate principal amount then outstanding under the Revolving Credit Loans; provided that, for purposes of determining Majority Revolving Credit Lenders hereunder, the Reimbursement Obligations and Swing Line Loans shall be allocated among the Revolving Credit Lenders based on their respective Applicable Revolving Credit Percentages; provided further that, such calculations shall be made without regard to any sale by a Non-Defaulting Lender of a participation in any Loan under Section 12.04(b)(vi).

“Material Acquisition” means any acquisition of Property or series of related acquisitions of Property that involves the payment of consideration by any Credit Party in excess of a dollar amount equal to ten percent (10%) of the lesser of the then effective Borrowing Base or the Aggregate Maximum Credit Amounts, as applicable.

“Material Adverse Effect” means a material adverse change in, or material adverse effect on the business, operations, Property, prospects or condition (financial or otherwise) of the Credit Parties taken as a whole, the ability of any Credit Party to perform any of its obligations under any Loan Document, the validity or enforceability of any Loan Document or the rights and remedies of or benefits available to the Administrative Agent, any other Agent, the Issuing Bank or any Lender under any Loan Document.

“Material Disposition” means any Transfer of Property or series of related Transfers of property that yields gross proceeds to any Credit Party in excess of a dollar amount equal to ten percent (10%) of the lesser of the then effective Borrowing Base or Aggregate Maximum Credit Amounts, as applicable.

“Material Indebtedness” means, as of any date of determination, Debt (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Credit Parties in an aggregate principal amount exceeding the greater of (a) \$25,000,000 and (b) the least of (i) a dollar amount equal to five percent (5%) of the then effective Borrowing Base as of such date of

determination, (ii) a dollar amount equal to five percent (5%) of the then effective Aggregate Elected Commitment Amount as of such date of determination and (iii) \$50,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of any Credit Party in respect of any Swap Agreement at any time shall be the Swap Termination Value.

“Maximum Credit Amount” means, as to each Revolving Credit Lender, the amount set forth opposite such Revolving Credit Lender’s name on Schedule 1.2 under the caption “Maximum Credit Amount”, as the same may be reduced or terminated from time to time in connection with a reduction or termination of the Aggregate Maximum Credit Amounts pursuant to Section 2.05(b) or modified from time to time pursuant to any assignment permitted by Section 12.04(b).

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

“Mortgaged Property” means any real or immovable Property owned by the Credit Parties which is subject to the Liens existing and to exist under the terms of the Security Instruments.

“Multiemployer Plan” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA.

“Net Cash Proceeds” means the aggregate cash payments received by any of the Credit Parties from any Transfer, the issuance of Equity Interests or the issuance of Debt, as the case may be, net of (a) the ordinary and customary direct costs incurred in connection with such Transfer or issuance, as the case may be, such as legal, accounting and investment banking fees, sales commissions, and other third party charges,

(a) property taxes, transfer taxes and any other taxes paid or payable by the Credit Parties in respect of any Transfer or issuance and (c) Debt (other than the Obligations) which is secured by a Lien upon any of the assets subject to such Transfer and which must be repaid as a result of such Transfer.

“New Borrowing Base Notice” has the meaning assigned to such term in Section 2.06(d).

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Notes” means, collectively, the Revolving Credit Notes and the Swing Line Note.

“NYFRB” means the Federal Reserve Bank of New York.

“NYFRB Rate” means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day (or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term “NYFRB Rate” means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received to the Administrative Agent from a Federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Obligations” means any and all amounts owing or to be owing by the Credit Parties (whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising): to the Administrative Agent, the Issuing Bank, any Lender or any Affiliate of any Lender under any Loan Document; to any Secured Swap Party under any Secured Swap Agreement; to any Cash Management Bank under any Secured Cash Management Agreement including interest and fees that accrue after the commencement by or against any Credit Party or Affiliate thereof under any Federal, state, foreign bankruptcy, insolvency, receivership, or similar law naming such Person

as the debtor in such proceeding, regardless of whether such interests and fees are allowed claims in such proceeding; and all renewals, extensions and/or rearrangements of any of the above; provided that the “Obligations” shall exclude any Excluded Swap Obligations.

“Oil and Gas Properties” means (a) all Hydrocarbon Interests, (b) all Properties now or hereafter pooled or unitized with Hydrocarbon Interests, (c) all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests, (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests; and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings (subject to Section 12.21), structures (subject to Section 12.21), fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing. Unless otherwise indicated herein, each

reference to the term “Oil and Gas Properties” shall mean Oil and Gas Properties of the Credit Parties.

“OPA” has the meaning assigned to such term in the definition of Environmental Laws.

“Other Connection Taxes” means, with respect to (a) the Administrative Agent, (b) any Lender and (b) any Issuing Bank, as applicable, Taxes imposed as a result of a present or former connection between such Person and the jurisdiction imposing such Tax (other than connections arising from such Person having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means any and all present or future stamp, court or documentary, intangible, recording, filing or any other excise or Property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement and any other Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 5.05).

“Overnight Bank Funding Rate” means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate (from and after such date as the NYFRB shall commence to publish such composite rate).

“Participant” has the meaning set forth in Section 12.04(b)(vi).

“Participant Register” has the meaning assigned to such term in Section 12.04(b)(viii).

“PBGC” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“Permitted Lien” means any Lien permitted under Section 9.03.

“Permitted Unsecured Notes” means unsecured notes issued pursuant to Section 9.02(h), including the guaranty of such unsecured notes permitted in Section 9.02(e).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan, as defined in section 3(2) of ERISA, which is subject to Title IV of ERISA or Section 412 of the Code and which is currently or hereafter sponsored, maintained or contributed to by a Credit Party or an ERISA Affiliate or was at any time during the six calendar years preceding the date hereof, sponsored, maintained or contributed to by a Credit Party or an ERISA Affiliate.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank, N.A. as its prime rate in effect at its office located at 270 Park Avenue, New York, New York; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being

effective.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, cash, securities, accounts and contract rights.

“Proposed Borrowing Base” has the meaning assigned to such term in Section 2.06(c)(i).

“Proposed Borrowing Base Notice” has the meaning assigned to such term in Section 2.06(c)(ii).

“Purchase Money Indebtedness” means Debt, the proceeds of which are used to finance the acquisition, construction, or improvement of inventory, equipment or other Property in the ordinary course of business.

“Qualified ECP Guarantor” shall mean, at any time, each Credit Party with total assets exceeding \$10,000,000 or that qualifies at such time as an “eligible contract participant” under the Commodity Exchange Act and can cause another person to qualify as an “eligible contract participant” at such time under § 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Quoted Rate” means the rate of interest *per annum* offered by the Swing Line Lender in its sole discretion with respect to a Swing Line Loan and accepted by the Borrower.

“Quoted Rate Loan” means any Swing Line Loan which bears interest at the Quoted Rate.

“RCRA” has the meaning assigned to such term in the definition of Environmental Laws.

“Redemption” means with respect to any Debt, the repurchase, redemption, prepayment, repayment, defeasance or any other acquisition or retirement for value (or the segregation of funds with respect to any of the foregoing) of such Debt. “Redeem” has the correlative meaning thereto.

“Reference Period” has the meaning assigned to such term in the definition of Consolidated Net Income.

“Refinancing Preferred Stock” means preferred Equity Interests of the Borrower that (a) are unsecured and do not prohibit the repayment or prepayment of any Obligations, (b) do not have a maturity date or other mandatory redemption date that is on or earlier than the date one year after the Revolving Credit Maturity Date, (c) do not have any sinking fund payments, scheduled dividend payments, or mandatory redemption obligations (other than customary redemption provisions in connection with changes in control that also constitute an Event of Default hereunder or certain asset dispositions) that are due on or prior to the date one year after the Revolving Credit Maturity Date, (d) do not impose representations, warranties, covenants, conditions, mandatory prepayments, events of default, remedies or other provisions similar to the foregoing that are materially more restrictive or burdensome as a whole than the terms and provisions of Permitted Unsecured Notes as in effect on October 3, 2016, (e) do not impose any representation, warranty, covenant, condition, mandatory prepayment, event of default, remedy or other provision similar to the foregoing that is more restrictive or burdensome than the comparable terms and provisions of this Agreement, (f) do not impose a cash dividend rate that exceeds a rate equal to 10% per annum, and (g) permit the Borrower to defer payment of cash dividends thereon in the Borrower’s discretion.

“Refunded Swing Line Loans” has the meaning ascribed to such term in Section 2.08(e)(i) hereof.

“Register” has the meaning assigned to such term in Section 12.04(b)(iv).

“Regulation D” means Regulation D of the Board, as the same may be amended, supplemented or replaced from time to time.

“Reimbursement Obligation(s)” means the aggregate amount of all unreimbursed drawings under all Letters of Credit (excluding for the avoidance of doubt, reimbursement obligations that are deemed satisfied pursuant to a deemed disbursement under Section 2.07(f)(iii)).

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors (including attorneys, accountants and experts) of such Person and such Person’s Affiliates.

“Release” means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing.

“Relevant Debt” has the meaning assigned to such term in Section 8.17(d) hereof.

“Remedial Work” has the meaning assigned to such term in Section 8.10(a).

“Removal Effective Date” has the meaning assigned to such term in Section 11.04.

“Request for Swing Line Loan” shall mean a request for a Swing Line Loan issued by the Borrower under Section 2.08(c) of this Agreement in the form attached hereto as Exhibit F.

“Required Revolving Credit Lenders” means at any time (a) so long as the Aggregate Maximum Credit Amounts have not been terminated, the Non-Defaulting Lenders holding more than sixty-six and two-thirds percent (66⅔%) of the aggregate Commitments and (b) if the Aggregate Maximum Credit Amounts have been terminated (whether by maturity, acceleration or otherwise), the Non-Defaulting Lenders holding more than sixty-six and two-thirds percent (66⅔%) of the aggregate principal amount then

outstanding under the Revolving Credit Loans; provided that, for purposes of determining Required Revolving Credit Lenders hereunder, the Reimbursement Obligations and Swing Line Loans shall be allocated among the Revolving Credit Lenders based on their respective Applicable Revolving Credit Percentages; provided further that, such calculations shall be made without regard to any sale by a Non- Defaulting Lender of a participation in any Loan under Section 12.04(b)(vi).

“Reserve Report” means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, on the dates required in Section 8.12 (or such other date in the event of an Interim Redetermination) the estimated proved oil and gas reserves attributable to the Oil and Gas Properties of the Credit Parties, together with a projection of the rate of production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions consistent with the Administrative Agent’s lending requirements at the time.

“Responsible Officer” means, as to any Person, the President, any Financial Officer or any Vice President

of such Person. Unless otherwise specified, all references to a Responsible Officer herein means a Responsible Officer of the Borrower.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other Property) with respect to any Equity Interests in any Credit Party, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in any Credit Party or any option, warrant or other right to acquire any such Equity Interests in any Credit Party.

“Restricted Subsidiary” means any Domestic Subsidiary of the Borrower that is not an Unrestricted Subsidiary.

“Revolving Credit Borrowing” means a Borrowing of a Revolving Credit Loan.

“Revolving Credit Borrowing Request” means a request by the Borrower for a Borrowing in accordance with Section 2.03.

“Revolving Credit Exposure” means, with respect to any Revolving Credit Lender at any time, the sum of the outstanding principal amount of such Revolving Credit Lender’s Revolving Credit Loans and its Applicable Revolving Credit Percentage of any outstanding Swing Line Loans and Letter of Credit Obligations.

“Revolving Credit Lenders” means the financial institutions from time to time parties hereto as lenders of Revolving Credit Loans.

“Revolving Credit Loan” shall mean a Borrowing requested by the Borrower and made by the Revolving Credit Lenders under Section 2.01 of this Agreement, including without limitation any re-advance, refunding or conversion of such borrowing and any deemed disbursement of a Loan in respect of a Letter of Credit under Section 2.07(f)(iii) hereof, and may include, subject to the terms hereof, Eurodollar Loans and ABR Loans.

“Revolving Credit Maturity Date” means May 25, 2022.

“Revolving Credit Notes” means the promissory notes of the Borrower described in Section 2.02(d) and being substantially in the form of Exhibit A, together with all amendments, modifications, replacements, extensions and rearrangements thereof.

“Sanctioned Country” means, at any time, a country, region or territory which is the subject or target of any Sanctions (as of the Effective Date, Cuba, Iran, North Korea, Sudan, Syria and Crimea).

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).

“Sanctions” means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“Scheduled Redetermination” has the meaning assigned to such term in Section 2.06(b).



“Scheduled Redetermination Date” means the date on which a Borrowing Base that has been redetermined pursuant to a Scheduled Redetermination becomes effective as provided in Section 2.06(d).

“SEC” means the Securities and Exchange Commission or any successor Governmental Authority.

“Secured Cash Management Agreement” means any Cash Management Agreement that is entered into by and between any Loan Party and any Cash Management Bank.

“Secured Swap Agreement” means any Swap Agreement between any Credit Party and any Person (a “Secured Swap Party”) that was, on the date such Swap Agreement was entered into, a Lender or an Affiliate of a Lender, even if such Person subsequently ceases to be a Lender (or an Affiliate thereof) for any reason and for purposes herein shall include Existing Secured Swap Agreements; provided that, for the avoidance of doubt, the term “Secured Swap Agreement” shall not include any Swap Agreement or transactions under any Swap Agreement entered into after the time that such Secured Swap Party ceases to be a Lender or an Affiliate of a Lender.

“Secured Swap Party” has the meaning assigned to such term in the definition of Secured Swap Agreement.

“Securities Account” has the meaning assigned to such term in the UCC.

“Security Agreement” means that certain security agreement executed by the Credit Parties on the Effective Date, in form and substance satisfactory to the Administrative Agent.

“Security Instruments” means the mortgages, deeds of trust, pledge agreements, security agreements, including without limitation the Security Agreement, control agreements, and other agreements, instruments, supplements or certificates described or referred to in Exhibit D, and any and all other agreements, instruments, supplements, consents or certificates (including the Guaranty Agreement) now or hereafter executed and delivered by the Credit Parties or any other Person (other than Secured Swap Agreements or participation or similar agreements between any Lender and any other lender or creditor with respect to any Obligations pursuant to this Agreement) as security for the payment or performance of the Obligations, the Notes, this Agreement, or Reimbursement Obligations, as such agreements may be amended, modified, supplemented or restated from time to time.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc., and any successor thereto that is a nationally recognized rating agency.

“Specified Credit Party” means any Credit Party that is not an “eligible contract participant” under the Commodity Exchange Act (determined prior to giving effect to Section 12.17).

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentage shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any

comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Swap Termination Value” means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and for any date prior to the date referenced above, the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as reasonably determined by the counterparties (other than any Credit Party) to such Swap Agreements.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any other Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other Person of which Equity Interests representing more than 50% of the equity or more than 50% of the ordinary voting power (irrespective of whether or not at the time Equity Interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency) or, in the case of a partnership, any general partnership interests are, as of such date, owned, controlled or held, or that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary” means any subsidiary of the Borrower.

“Successor Administrative Agent” has the meaning assigned to such term in Section 11.04.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement, whether exchange traded, “over-the-counter” or otherwise, involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of any Credit Party shall be a Swap Agreement.

“Swap Obligations” means with respect to any Credit Party any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Sweep Agreement” means any agreement relating to the “Sweep to Loan” automated system of the Administrative Agent or any other cash management arrangement which the Borrower and the Administrative Agent have executed for purposes of effecting the borrowing and repayment of Swing Line Loans.

“Swing Line” shall mean the revolving credit loans to be advanced to the Borrower by the Swing Line Lender pursuant to Section 2.08 hereof, in an aggregate amount (subject to the terms hereof), not to exceed, at any one time outstanding, the Swing Line Maximum Amount.

“Swing Line Lender” shall mean (a) JPMorgan Chase Bank, N.A. in its capacity as a lender of one or more Swing Line Loans under Section 2.08 of this Agreement, (b) any other Lender designated in writing, from time to time, to the Administrative Agent by the Borrower (and consented to by such Lender), as a lender of one

or more Swing Line Loans under Section 2.08 of this Agreement, and (c) any successor that agrees to act in such capacity as subsequently designated hereunder.

“Swing Line Loan” shall mean a borrowing requested by the Borrower and made by a Swing Line Lender pursuant to Section 2.08 hereof and may include, subject to the terms hereof, Quoted Rate Loans and ABR Loans.

“Swing Line Maximum Amount” shall mean Twenty-Five Million and No/100 Dollars (\$25,000,000).

“Swing Line Note” shall mean the swing line note which may be issued by the Borrower to each Swing Line Lender pursuant to Section 2.08(b)(ii) hereof in the form attached hereto as Exhibit G, as such note may be amended or supplemented from time to time, and any note or notes issued in substitution, replacement or renewal thereof from time to time.

“Swing Line Participation Certificate” shall mean the Swing Line Participation Certificate delivered by the Administrative Agent to each Revolving Credit Lender pursuant to Section 2.08(e)(ii) hereof in the form attached hereto as Exhibit H.

“Synthetic Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, treated as operating leases on the financial statements of the Person liable (whether contingently or otherwise) for the payment of rent thereunder and which were properly treated as indebtedness for borrowed money for purposes of U.S. federal income taxes, if the lessee in respect thereof is obligated to either purchase for an amount in excess of, or pay upon early termination an amount in excess of, 80% of the residual value of the Property subject to such operating lease upon expiration or early termination of such lease.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Date” means the earlier of the Revolving Credit Maturity Date and the date of termination of the Commitments.

“Termination Event” means (a) the occurrence of a “reportable event” described in Section 4043 of ERISA and the regulations issued thereunder with respect to a Plan (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), (b) the failure with respect to any Plan to make the “minimum required contribution” (as defined in Section 430 of the Code or Section 303 of ERISA), (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) the withdrawal of any Credit Party or any ERISA Affiliate from a Plan during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA, (e) the termination of a Plan, the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, (f) the institution of proceedings to terminate, or the appointment of a trustee with respect to, a Plan

by the PBGC, (g) the occurrence of any other event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, (h) the imposition of a Lien pursuant to Section 430(k) of the Code or Section 303(k) of ERISA, (i) the determination that any Plan or Multiemployer Plan is considered an at-risk plan or a plan in endangered or critical status within the meaning of Sections 430 or 432 of the Code or Sections 303 or 305 of ERISA, (j) the partial or complete withdrawal of any Credit Party or any ERISA Affiliate from a Multiemployer Plan,

(a) the receipt by any Credit Party or any of its ERISA Affiliates from a Multiemployer Plan of any notice concerning the imposition of withdrawal liability or a determination that a Multiemployer Plan is, or is expected to be, “insolvent” (within the meaning of Section 4245 of ERISA), (l) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by PBGC of proceedings to terminate a Multiemployer Plan, or (m) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any Credit Party or any ERISA Affiliate.

“Total Debt” means with respect to any Person, at any time, without duplication, Debt of such Person excluding contingent obligations arising under ASC 815; provided that Debt with respect to letters of credit referred to in clause (b) of such definition shall be considered “Total Debt” only to the extent such letters of credit are drawn or funded. For the avoidance of doubt the Total Debt of the Borrower is the consolidated Total Debt of the Credit Parties, determined in accordance with GAAP.

“Transactions” means, with respect to each Credit Party, (a) the execution, delivery and performance of this Agreement, each other Loan Document to which it is a party, the borrowing of Loans, and the issuance of Letters of Credit hereunder, (b) the guaranteeing of the Obligations and the other obligations under the Guaranty Agreement by such Credit Party and such Credit Party’s grant of the security interests and provision of Collateral under the Security Instruments, and (c) the grant of Liens on Mortgaged Properties pursuant to the Security Instruments.

“Transfer” has the meaning assigned to such term in Section 9.11.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Alternate Base Rate or the Adjusted LIBO Rate.

“UCC” means the Uniform Commercial Code of the State of New York or of any other state the laws of which are required to be applied in connection with the perfection of security interests in any Collateral.

“Unrestricted Subsidiary” means Callon Offshore Production, Inc., Mississippi Marketing, Inc. and any other Person that would otherwise be a Subsidiary of the Borrower that the Borrower has designated to be an “Unrestricted Subsidiary” in writing to the Administrative Agent pursuant to Section 9.17 and each subsidiary thereof.

“USA Patriot Act” means the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, or The United and Strengthening America by providing appropriate Tools Required to Intercept and Obstruct Terrorism.

“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned such term in Section 5.03(e)(ii)(B)(III).

“Withholding Agent” means any Credit Party or the Administrative Agent.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.03. Types of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings, respectively, may be classified and referred to by Type (e.g., a “Eurodollar Loan” or a “Eurodollar Borrowing”).

Section 1.04. Terms Generally; Rules of Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” as used in this Agreement shall be deemed to be followed by the phrase “without limitation”. The word “or” is not exclusive. The word “shall” shall be construed to have the same meaning and effect as the word “will”. Unless the context requires otherwise any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Loan Documents), any reference herein to any law shall be construed as referring to such law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, any reference herein to any Person shall be construed to include such Person’s successors and assigns (subject to the restrictions contained in the Loan Documents), the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, with respect to the determination of any time period, the word “from” means “from and including” and the word “to” means “to and including” and any reference herein to Articles, Sections, Annexes, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement. No provision of this Agreement or any other Loan Document shall be interpreted or construed against any Person solely because such Person or its legal representative drafted such provision.

Section 1.05. Accounting Terms and Determinations; GAAP. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Administrative Agent or the Lenders hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the Financial Statements except for changes in which the Borrower’s independent certified public accountants concur and which are disclosed to the Administrative Agent as part of, or along with, the audited annual financial statements delivered to the Lenders pursuant to Section 8.01(a); provided that, unless the Borrower and the Majority Revolving Credit Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants set forth in Section 9.01 is computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods. For the avoidance of doubt, if after the Effective Date any change occurs in the manner in which operating leases are accounted for under GAAP that affects the Borrower’s compliance with any provision of this Agreement, then the Borrower’s compliance with such provision will continue to be determined in accordance with GAAP as in effect immediately prior to such change to GAAP unless otherwise agreed by the Borrower and the Majority Revolving Credit Lenders in writing. Notwithstanding anything herein to the contrary, for the purposes of calculating any of the ratios tested under Section 9.01, and the components of each of such ratios, all Unrestricted Subsidiaries (including their assets, liabilities, income, losses, cash flows, and the elements thereof) shall be excluded, except for any cash dividends or distributions actually paid by any Unrestricted Subsidiary to any Credit Parties, which shall be deemed to be income to such Credit Party when actually received by it.

**ARTICLE II**  
**THE REVOLVING CREDIT FACILITY**

Section 2.01. Commitments.

(a) Commitments. Subject to the terms and conditions set forth herein, each Revolving Credit Lender severally and for itself alone, agrees to make Revolving Credit Loans to the Borrower during the Availability Period in an aggregate principal amount that will not result in such Revolving Credit Lender's Revolving Credit Exposure exceeding such Revolving Credit Lender's Commitment or the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, repay and reborrow the Revolving Credit Loans.

(b) Increases, Reductions and Terminations of Aggregate Elected Commitment Amount.

(i) Subject to the conditions set forth in Section 2.01(b)(ii), the Borrower may increase the Aggregate Elected Commitment Amount then in effect by increasing the Elected Commitment of one or more existing Lenders (each such Lender, an "Increasing Lender") and/or causing one or more Persons acceptable to the Administrative Agent and that at such time are not Lenders to become a Lender (each such Person that is not at such time a Lender and becomes a Lender, an "Additional Lender"). Notwithstanding anything to the contrary contained in this Agreement, in no case shall an Additional Lender be the Borrower, an Affiliate of the Borrower or a natural person.

(ii) Any increase in the Aggregate Elected Commitment Amount shall be subject to the following additional conditions:

(A) no increase in the Aggregate Elected Commitment Amount shall be permitted if after giving effect thereto the Aggregate Elected Commitment Amount exceeds the lesser of (I) the Borrowing Base then in effect and (II) the Aggregate Maximum Credit Amount;

(B) the Borrower may not increase the Aggregate Elected Commitment Amount more than once between any two redeterminations of the Borrowing Base, whether a Scheduled Redetermination or an Interim Redetermination;

(C) no Lender's Elected Commitment may be increased without the consent of such Lender;

(D) subject to Section 2.01(b)(ix) below, if the Borrower elects to increase the Aggregate Elected Commitment Amount by increasing the Elected Commitment of one or more Lenders, the Borrower and each such Increasing Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit L (an "Elected Commitment Increase Certificate") and the Borrower shall pay any applicable fees as may have been agreed to between the Borrower, such Increasing Lender and/or the Administrative Agent; and

(E) if the Borrower elects to increase the Aggregate Elected Commitment Amount by causing one or more Additional Lenders to become a party to this Agreement, then the Borrower and each such Additional Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit K (an "Additional Lender Certificate"), together with an Administrative

Questionnaire for each Additional Lender, and the Borrower shall (I) if requested by any Additional Lender, deliver a Note payable to such Additional Lender in a principal amount equal to its Maximum Credit Amount, and otherwise duly completed and (II) pay any applicable fees as may have been agreed to between the Borrower, any Additional Lender and/or the Administrative Agent.

(iii) Subject to acceptance and recording thereof pursuant to Section 2.01(b)(iv), from and after the effective date specified in the Elected Commitment Increase Certificate or the Additional Lender Certificate: (A) the amount of the Aggregate Elected Commitment Amount shall be increased as set forth therein, and (B) in the case of an Additional Lender Certificate, any Additional Lender party thereto shall be a party to this Agreement and have the rights and obligations of a Lender under this Agreement and the other Loan Documents. In addition, each Increasing Lender and Additional Lender shall be deemed to have purchased a pro rata portion of the outstanding Loans (and participation interests in Letters of Credit) of each of the other Lenders (and such Lenders hereby agree to sell and to take all such further action to effectuate such sale) such that each Lender (including any Increasing Lender and any Additional Lender) shall hold its Applicable Revolving Credit Percentage of the outstanding Loans (and participation interests in Letters of Credit) after giving effect to the increase in the Aggregate Elected Commitment Amount and the resulting modification of each Lender's Applicable Revolving Credit Percentage and Maximum Credit Amount pursuant to Section 2.01(b)(v).

(iv) Upon its receipt of a duly completed Elected Commitment Increase Certificate or an Additional Lender Certificate, executed by the Borrower and the Lender or by the Borrower and the Additional Lender party thereto, as applicable, and the Administrative Questionnaire referred to in Section 2.01(b)(ii) the Administrative Agent shall accept such Elected Commitment Increase Certificate or Additional Lender Certificate and record the information contained therein in the Register required to be maintained by the Administrative Agent pursuant to Section 12.04(b)(iv).

(v) Upon any increase in the Aggregate Elected Commitment Amount pursuant to this Section 2.01(b), (A) each Lender's Applicable Revolving Credit Percentage shall be automatically deemed amended to the extent necessary so that each such Lender's Applicable Revolving Credit Percentage equals the percentage of the Aggregate Elected Commitment Amount represented by such Lender's Elected Commitment, in each case after giving effect to such increase, (B) each Lender's Maximum Credit Amount shall be automatically deemed amended to the extent necessary so that each Lender's Maximum Credit Amount equals such Lender's Applicable Revolving Credit Percentage, after giving effect to any adjustments thereto pursuant to the foregoing clause (A), of the Aggregate Maximum Credit Amount, (C) Schedule 1.2 to this Agreement shall be deemed amended to reflect the Elected Commitment of any Increasing Lender and any Additional Lender, and any changes in the Lenders' respective Applicable Revolving Credit Percentages and Maximum Credit Amounts pursuant to the foregoing clauses (A) and (B), and (D) the Borrower shall execute and deliver new Notes to the extent required under Section 2.02(d).

(vi) The Borrower may from time to time terminate or reduce the Aggregate Elected Commitment Amount; provided that (A) each reduction of the Aggregate Elected Commitment Amount shall be in an amount that is an integral multiple of \$100,000 and not less than \$1,000,000 and (B) the Borrower shall not reduce the Aggregate Elected Commitment Amount if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.03(c), the total Revolving Credit Exposures would exceed the Aggregate Elected Commitment Amount.

(vii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Elected Commitment Amount under Section 2.01(b)(vi) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof.

Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Any termination or reduction of the Aggregate Elected Commitment Amount shall be permanent and may not be reinstated, except pursuant to Section 2.01(b)(i). Each reduction of the Aggregate Elected Commitment Amount shall be made ratably among each Lender's Maximum Credit Amount in accordance with each Lender's Applicable Revolving Credit Percentage (and Schedule 1.2 shall be deemed amended to reflect such amendments to each Lender's Elected Commitment and the Aggregate Elected Commitment Amount).

(viii) Upon any redetermination or other adjustment in the Borrowing Base pursuant to this Agreement that would otherwise result in the Borrowing Base becoming less than the Aggregate Elected Commitment Amount, the Aggregate Elected Commitment Amount shall be automatically reduced (ratably among the Lenders in accordance with each Lender's Applicable Revolving Credit Percentage) so that they equal such redetermined Borrowing Base (and Schedule 1.2 shall be deemed amended to reflect such amendments to each Lender's Elected Commitment and the Aggregate Elected Commitment Amount).

(ix) If (A) the Borrower elects to increase the Aggregate Elected Commitment Amount and (B) each Lender has consented to such increase in its Elected Commitment, then the Aggregate Elected Commitment Amount shall be increased (ratably among the Lenders in accordance with each Lender's Applicable Revolving Credit Percentage) by the amount requested by the Borrower (subject to the limitations set forth in Section 2.01(b)(ii)(A)) without the requirement that any Lender deliver an Elected Commitment Increase Certificate, and Schedule 1.2 shall be deemed amended to reflect such amendments to each Lender's Elected Commitment and the Aggregate Elected Commitment Amount. The Administrative Agent shall record the information regarding such increases in the Register required to be maintained by the Administrative Agent pursuant to Section 12.04(b)(iv).

#### Section 2.02. Revolving Credit Loans and Borrowings

(a) Revolving Credit Borrowings; Several Obligations. Each Revolving Credit Loan shall be made as part of a Revolving Credit Borrowing consisting of Revolving Credit Loans made by the Revolving Credit Lenders ratably in accordance with their respective Commitments. The failure of any Revolving Credit Lender to make any Revolving Credit Loan required to be made by it shall not relieve any other Revolving Credit Lender of its obligations hereunder; provided that the Commitments are several and no Revolving Credit Lender shall be responsible for any other Revolving Credit Lender's failure to make Revolving Credit Loans as required.

(b) Types of Revolving Credit Loans. Each Revolving Credit Borrowing shall be comprised entirely of ABR Revolving Credit Loans or Eurodollar Revolving Credit Loans as the Borrower may request in accordance herewith. Each Revolving Credit Lender at its option may make any Eurodollar Revolving Credit Loan by causing any domestic or foreign branch or Affiliate of such Revolving Credit Lender to make such Revolving Credit Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Revolving Credit Loan in accordance with the terms of this Agreement.

(c) Minimum Amounts; Limitation on Number of Revolving Credit Borrowings. At the commencement of each Interest Period for any Eurodollar Revolving Credit Borrowing, such Revolving Credit Borrowing shall be in an amount not less than \$1,000,000 and increments of \$100,000 in excess thereof. At the time that each ABR Revolving Credit Borrowing is made, such Revolving Credit



Borrowing shall be in an amount not less than \$1,000,000 and increments of \$100,000 in excess thereof, provided that, notwithstanding the foregoing, an ABR Revolving Credit Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of a Reimbursement Obligation as contemplated by Section 2.07(f)(iii). Revolving Credit Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of six Eurodollar Revolving Credit Borrowings outstanding. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Revolving Credit Borrowing if the Interest Period requested with respect thereto would end after the Revolving Credit Maturity Date.

(d) Revolving Credit Notes. Upon request of such Revolving Credit Lender, the Revolving Credit Loans made by a Revolving Credit Lender shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A, and, (i) in the case of any Revolving Credit Lender party hereto as of the date of this Agreement, such Revolving Credit Note shall be dated as of the date of this Agreement, (ii) in the case of any Revolving Credit Lender that becomes a party hereto pursuant to an Assignment and Assumption, such Revolving Credit Note shall be dated as of the effective date of the Assignment and Assumption, or (iii) in the case of any Lender that becomes a party hereto in connection with an increase in the Aggregate Elected Commitment Amounts pursuant to Section 2.01(b), as of the effective date of such increase, in each case, payable to such Revolving Credit Lender in a principal amount equal to its Maximum Credit Amount as in effect on such date, and otherwise duly completed. In the event that any Revolving Credit Lender's Maximum Credit Amount increases or decreases for any reason (whether pursuant to Section 2.05, Section 12.04(b) or otherwise), the Borrower shall, upon request of such Revolving Credit Lender, deliver or cause to be delivered on the effective date of such increase or decrease, a new Revolving Credit Note payable to such Revolving Credit Lender in a principal amount equal to its Maximum Credit Amount after giving effect to such increase or decrease, and otherwise duly completed, against return to the Borrower of the Revolving Credit Note so replaced. The date, amount, Type, interest rate and, if applicable, Interest Period of each Revolving Credit Loan made by each Revolving Credit Lender, and all payments made on account of the principal thereof, shall be recorded by such Revolving Credit Lender on its books for its Revolving Credit Note. Failure to make any such notation or to attach a schedule shall not affect any Revolving Credit Lender's or the Borrower's rights or obligations in respect of such Revolving Credit Loans.

(e) Register. The Administrative Agent shall maintain the Register pursuant to Section 12.04(b)(iv), and a subaccount therein for each Revolving Credit Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount of each Revolving Credit Borrowing made hereunder, the type thereof and each Interest Period applicable to any Eurodollar Borrowing, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Revolving Credit Lender hereunder in respect of the Revolving Credit Borrowings and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower in respect of the Revolving Credit Borrowings and each Revolving Credit Lender's share thereof. The entries made in the Register maintained pursuant to this clause (e) shall, absent manifest error, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Revolving Credit Lender or the Administrative Agent to maintain the Register or any account, as applicable, or any error therein, shall not in any manner affect the obligation of the Borrower to repay the Revolving Credit Borrowings (and all other amounts owing with respect thereto) made to the Borrower by the Revolving Credit Lenders in accordance with the terms of this Agreement.

Section 2.03. Requests for Revolving Credit Borrowings. The Borrower may request a Revolving Credit Borrowing, a refund of any Revolving Credit Borrowing in the same Type of Borrowing or to convert any Revolving Credit Borrowing to any other Type of Revolving Credit Borrowing only by

delivery to the Administrative Agent of a Revolving Credit Borrowing Request executed by a Responsible Officer of the Borrower, subject to the following:

- (a) each such Revolving Credit Borrowing Request shall set forth the information required on the Revolving Credit Borrowing Request, including without limitation:
- (i) the proposed date of such Revolving Credit Borrowing (or the refunding or conversion of an outstanding Revolving Credit Borrowing), which must be a Business Day;
  - (ii) whether such Borrowing is a new Revolving Credit Borrowing or a refunding or conversion of an outstanding Revolving Credit Borrowing; and
  - (iii) whether such Revolving Credit Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing, and, except in the case of an ABR Borrowing, the first Interest Period applicable thereto.
- (b) each such Revolving Credit Borrowing Request shall be delivered to the Administrative Agent by 12:00 noon (New York time) three (3) Business Days prior to the proposed date of the Revolving Credit Borrowing, except in the case of an ABR Borrowing, for which the Request for Borrowing must be delivered by 12:00 noon (New York time) on the proposed date for such Revolving Credit Borrowing; provided that any such notice of an ABR Borrowing to finance the reimbursement of an Letter of Credit Payment as contemplated by Section 2.07(f) may be given not later than 11:00 a.m., New York City time, on the date of the proposed Borrowing;
- (c) on the proposed date of such Revolving Credit Borrowing, the sum of (x) the aggregate principal amount of all Revolving Credit Exposures outstanding on such date (including, without duplication, the Loans that are deemed to be disbursed by Administrative Agent under Section 2.07(f)(iii) hereof in respect of Borrower's Reimbursement Obligations hereunder), after giving effect to all outstanding requests for Revolving Credit Borrowings and Swing Line Loans and for the issuance of any Letters of Credit, shall not exceed the least of (i) the Aggregate Maximum Credit Amounts, (ii) the then applicable Borrowing Base and (iii) the then applicable Aggregate Elected Commitment Amount;
- (d) a Revolving Credit Borrowing Request, once delivered to the Administrative Agent, shall not be revocable by the Borrower and (other than a Revolving Credit Borrowing Request to refund, continue or convert any outstanding Revolving Credit Borrowing) shall constitute a certification by the Borrower as of the date thereof that the conditions set forth in subsections (a), (b) and (c) of Section 6.02 have been satisfied;
- (e) if the Borrower fails to deliver a timely Revolving Credit Borrowing Request with respect to a Eurodollar Revolving Credit Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Revolving Credit Borrowing; notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing, no outstanding Revolving Credit Borrowing may be converted to or continued as a Eurodollar Revolving Credit Borrowing (and any Revolving Credit Borrowing Request that requests the conversion of any Revolving Credit Borrowing to, or continuation of any Revolving Credit Borrowing as, a Eurodollar Revolving Credit Borrowing shall be ineffective) and unless repaid, each Eurodollar Revolving Credit

Borrowing shall be converted to an ABR Revolving Credit Borrowing at the end of the Interest Period applicable thereto; the Administrative Agent, acting on behalf of the Revolving Credit Lenders, may also, at its option, lend under this Section 2.03 upon the telephone or email request of a Responsible Officer of the Borrower to

32

make such requests and, in the event the Administrative Agent, acting on behalf of the Revolving Credit Lenders, makes any such Revolving Credit Borrowing upon a telephone or email request, a Responsible Officer shall fax or deliver by electronic file to the Administrative Agent, on the same day as such telephone or email request, an executed Revolving Credit Borrowing Request. The Borrower hereby authorizes the Administrative Agent to disburse Revolving Credit Borrowings under this Section 2.03 pursuant to the telephone or email instructions of any person purporting to be a Responsible Officer. Notwithstanding the foregoing, the Borrower acknowledges that the Borrower shall bear all risk of loss resulting from disbursements made upon any telephone or email request. Each telephone or email request for a Revolving Credit Borrowing from a Responsible Officer for the Borrower shall constitute a certification of the matters set forth in the Revolving Credit Borrowing Request form as of the date of such requested Revolving Credit Borrowing.

#### Section 2.04. Funding of Revolving Credit Borrowings

(a) Upon receiving any Revolving Credit Borrowing Request from Borrower under Section 2.03 hereof, the Administrative Agent shall promptly notify each Revolving Credit Lender by wire, telex or telephone (confirmed by wire, teletype or telex) of the amount of such Revolving Credit Borrowing being requested and the date such Revolving Credit Borrowing is to be made by each Revolving Credit Lender in an amount equal to its Applicable Revolving Credit Percentage of such Revolving Credit Borrowing. Unless such Revolving Credit Lender's Commitment to make Revolving Credit Loans hereunder shall have been suspended or terminated in accordance with this Agreement, each such Revolving Credit Lender shall make available the amount of its Applicable Revolving Credit Percentage of each Revolving Credit Borrowing in immediately available funds to the Administrative Agent, as follows:

(i) for ABR Revolving Credit Borrowings, at the office of the Administrative Agent located at 383 Madison Avenue, New York, New York 10179, not later than 12:00 noon (New York time) on the date of such Borrowing; and

(ii) for Eurodollar Borrowings, at the office of the Administrative Agent located at 383 Madison Avenue, New York, New York 10179, not later than 12:00 noon (New York time) on the date of such Borrowing.

(b) Except in respect of Revolving Credit Borrowings covering the reimbursement of Letters of Credit pursuant to Section 2.07(f), the Administrative Agent will make such Revolving Credit Loans available to the Borrower by promptly crediting the funds so received from the Revolving Credit Lenders to an account of the Borrower designated by the Borrower in the applicable Revolving Credit Borrowing Request not later than 4:00 p.m. (New York time); provided that ABR Revolving Credit Borrowings made to finance the reimbursement of an Letter of Credit Payment as provided in Section 2.07(f) shall be remitted by the Administrative Agent to the Issuing Bank; provided, further, that ABR Revolving Credit Borrowings made to refund any Swing Line Loan pursuant to Section 2.08(e) shall be remitted by the Administrative Agent to the Swing Line Lender.

(c) The Administrative Agent shall deliver the documents and papers received by it for the account of each Revolving Credit Lender to such Revolving Credit Lender. Unless the Administrative Agent shall have been notified by any Revolving Credit Lender prior to the date of any proposed Revolving Credit Borrowing that such Revolving Credit Lender does not intend to make available to the Administrative Agent such Revolving Credit Lender's Applicable Revolving Credit Percentage of such Borrowing, the Administrative Agent may assume that such Revolving Credit Lender has made such amount available to the Administrative Agent on such date, as aforesaid. The Administrative Agent may, but shall not be obligated to, make available to the Borrower the amount of

33

such payment in reliance on such assumption. If such amount is not in fact made available to the Administrative Agent by such Revolving Credit Lender, as aforesaid, the Administrative Agent shall be entitled to recover such amount on demand from such Revolving Credit Lender. If such Revolving Credit Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor and the Administrative Agent has in fact made a corresponding amount available to the Borrower, the Administrative Agent shall promptly notify the Borrower and the Borrower shall pay such amount to the Administrative Agent, if such notice is delivered to the Borrower prior to 12:00 noon (New York time) on a Business Day, on the day such notice is received, and otherwise on the next Business Day, and such amount paid by the Borrower shall be applied as a prepayment of the Revolving Credit Loans (without any corresponding reduction in the Aggregate Maximum Credit Amounts), reimbursing the Administrative Agent for having funded said amounts on behalf of such Revolving Credit Lender. The Borrower shall retain its claim against such Revolving Credit Lender with respect to the amounts repaid by it to the Administrative Agent and, if such Revolving Credit Lender subsequently makes such amounts available to the Administrative Agent, the Administrative Agent shall promptly make such amounts available to the Borrower as a Revolving Credit Borrowing. The Administrative Agent shall also be entitled to recover from such Revolving Credit Lender or the Borrower, as the case may be, but without duplication, interest on such amount in respect of each day from the date such amount was made available by the Administrative Agent to the Borrower, to the date such amount is recovered by the Administrative Agent, at a rate *per annum* equal to:

(i) in the case of such Revolving Credit Lender, for the first two (2) Business Days such amount remains unpaid, the NYFRB Rate, and thereafter, at the rate of interest then applicable to such Revolving Credit Borrowings; and

(ii) in the case of the Borrower, the rate of interest then applicable to such Revolving Credit Borrowing.

Until such Revolving Credit Lender has paid the Administrative Agent such amount, such Revolving Credit Lender shall have no interest in or rights with respect to such Borrowing for any purpose whatsoever. The obligation of any Revolving Credit Lender to make any Revolving Credit Borrowing hereunder shall not be affected by the failure of any other Revolving Credit Lender to make any Borrowing hereunder, and no Revolving Credit Lender shall have any liability to the Borrower or any of its Subsidiaries, the Administrative Agent, any other Revolving Credit Lender, or any other party for another Revolving Credit Lender's failure to make any loan or Borrowing hereunder.

Section 2.05. Termination and Reduction of Aggregate Maximum Credit Amounts

(a) Scheduled Termination of Commitments. Unless previously terminated, the Commitments shall terminate on the Revolving Credit Maturity Date. If at any time the Aggregate Maximum Credit Amounts, the Borrowing Base or the Aggregate Elected Commitment Amount are terminated or reduced to zero, then the Commitments shall terminate on the effective date of such termination or reduction.

(b) Optional Termination and Reduction of Aggregate Credit Amounts.

(i) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Maximum Credit Amounts; provided that each reduction of the Aggregate Maximum Credit Amounts shall be in an amount that is an integral multiple of \$100,000 and not less than \$500,000 and the Borrower shall not terminate or reduce the Aggregate Maximum Credit Amounts if, after giving effect to any concurrent prepayment of the Revolving Credit Loans in accordance with Section 3.03(c)(i), the total Revolving Credit Exposures would exceed the total Commitments. No reduction shall reduce the Swing

Line Maximum Amount unless the Borrower so elects, provided that the Swing Line Maximum Amount shall at no time be greater than the Aggregate Maximum Credit Amounts.

(ii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Maximum Credit Amounts under Section 2.05(b)(i) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Revolving Credit Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.05(b)(ii) shall be irrevocable; provided that a notice of termination of the Aggregate Maximum Credit Amount delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities or other agreements, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Each reduction of the Aggregate Maximum Credit Amounts shall be made ratably among the Revolving Credit Lenders in accordance with each Revolving Credit Lender's Applicable Revolving Credit Percentage.

#### Section 2.06. Borrowing Base.

(a) Initial Borrowing Base. The Borrowing Base on the Effective Date shall be \$650,000,000. Notwithstanding the foregoing, the Borrowing Base may be subject to further adjustments from time to time pursuant to the Borrowing Base Adjustment Provisions.

(b) Scheduled and Interim Redeterminations. The Borrowing Base shall be redetermined as provided in accordance with this Section 2.06, and, subject to Section 2.06(d). The Borrowing Base shall be redetermined semi-annually (each a "Scheduled Redetermination"), and shall become effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Revolving Credit Lenders on or about May 1 (with respect to the Reserve Report delivered on April 1) and on or about November 1 (with respect to the Reserve Report delivered on October 1) of each year commencing on or about November 1, 2017. In addition, Borrower may, by notifying the Administrative Agent thereof, and the Administrative Agent may, at the direction of the Required Revolving Credit Lenders, by notifying the Borrower thereof, two times per year, each elect to cause the Borrowing Base to be redetermined between Scheduled Redeterminations (each an "Interim Redetermination").

(c) Scheduled and Interim Redetermination Procedure.

(i) Each Scheduled Redetermination and each Interim Redetermination shall be

effectuated as follows: Upon receipt by the Administrative Agent of the Reserve Report, the certificate required to be delivered by the Borrower to the Administrative Agent, in the case of a Scheduled Redetermination, pursuant to Section 8.12(a) and (c), and in the case of an Interim Redetermination, pursuant to Section 8.12(b) and (c), and such other reports, data and supplemental information, including, without limitation, the information provided pursuant to Section 8.12(c), as may, from time to time, be reasonably requested by the Majority Revolving Credit Lenders (the Reserve Report, such certificate and such other reports, data and supplemental information with respect to the Oil and Gas Properties and other Properties of the Credit Parties being the “Engineering Reports”), the Administrative Agent shall evaluate the information contained in the Engineering Reports and shall, in good faith, propose a new Borrowing Base (the “Proposed Borrowing Base”) based upon such information and such other information (including, without limitation, the status of title information with respect to the Oil and Gas Properties as described in the Engineering Reports and the existence of any other Debt) as the Administrative Agent deems appropriate in its sole discretion and consistent with its normal oil and gas lending criteria as it exists at the particular time.

(ii) The Administrative Agent shall notify the Borrower and the Revolving Credit Lenders of the Proposed Borrowing Base (the “Proposed Borrowing Base Notice”):

(A) in the case of a Scheduled Redetermination if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on or before April 15 and October 15 of such year following the date of delivery, or if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then promptly after the Administrative Agent has received complete Engineering Reports from the Borrower and has had a reasonable opportunity to determine the Proposed Borrowing Base in accordance with Section 2.06(c)(i); and

(B) in the case of an Interim Redetermination, promptly, and in any event, within fifteen (15) days after the Administrative Agent has received the required Engineering Reports.

(iii) Any Proposed Borrowing Base that would increase the Borrowing Base then in effect must be approved or deemed to have been approved by all of the Revolving Credit Lenders as provided in this Section 2.06(c)(iii); and any Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect (not including an automatic reduction pursuant to Section 2.01(b)(viii)) must be approved or be deemed to have been approved by the Required Revolving Credit Lenders (in each Revolving Credit Lender’s sole discretion consistent with its normal oil and gas lending criteria as it exists at the particular time) as provided in this Section 2.06(c)(iii). Upon receipt of the Proposed Borrowing Base Notice, each Revolving Credit Lender shall have fifteen (15) days to agree with the Proposed Borrowing Base or disagree with the Proposed Borrowing Base by proposing an alternate Borrowing Base. If at the end of such fifteen (15) days, any Revolving Credit Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be an approval of the Proposed Borrowing Base. If, at the end of such 15-day period, all of the Revolving Credit Lenders, in the case of a Proposed Borrowing Base that would increase the Borrowing Base then in effect, or the Required Revolving Credit Lenders, in the case of a Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, have approved or deemed to have approved, as aforesaid, then the Proposed Borrowing Base shall become the new Borrowing Base, effective on the date specified in Section 2.06(d). If, however, at the end of such 15-day period, all of the Revolving Credit Lenders or the Required Revolving Credit Lenders, as applicable, have not approved or deemed to have approved, as aforesaid, then the Administrative Agent shall poll the Revolving Credit Lenders to ascertain the highest Borrowing Base then acceptable (A) in the case of a decrease or reaffirmation, to a number of Revolving Credit Lenders sufficient to constitute the Required Revolving Credit Lenders and (B) in the case of an increase, to all of the Revolving Credit Lenders, and such

amount shall become the new Borrowing Base, effective on the date specified in Section 2.06(d).

(d) Effectiveness of a Redetermined Borrowing Base. After a redetermined Borrowing Base is approved or is deemed to have been approved by all of the Revolving Credit Lenders or the Required Revolving Credit Lenders, as applicable, pursuant to Section 2.06(c)(iii) or adjusted pursuant to the Borrowing Base Adjustment Provisions, the Administrative Agent shall notify the Borrower and the Revolving Credit Lenders of the amount of the redetermined Borrowing Base (the “New Borrowing Base Notice”), and such amount shall become the new Borrowing Base, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Revolving Credit Lenders:

(i) in the case of a Scheduled Redetermination, if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and Section 8.12(c) in a timely and complete manner, then as of May 1 or November 1 as applicable,

or if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and Section 8.12(c) in a timely and complete manner, then on the Business Day next succeeding delivery of such notice; and

(ii) in the case of an Interim Redetermination or an adjustment to the Borrowing Base pursuant to the Borrowing Base Adjustment Provisions, on the Business Day next succeeding delivery of such notice.

Such amount shall then become the Borrowing Base until the next Scheduled Redetermination Date, the next Interim Redetermination Date or the next adjustment to the Borrowing Base pursuant to the Borrowing Base Adjustment Provisions, whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination, Interim Redetermination or adjusted Borrowing Base shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

(e) Adjustment for Debt Incurrence. If any Credit Party issues or incurs any Debt consisting of or related to the senior notes permitted under Section 9.02(h) during the period between Scheduled Redeterminations, then (i) on the date on which such Debt is issued, the Borrowing Base then in effect shall be reduced by an amount equal to the product of 0.25 multiplied by the stated principal amount of such Debt, and (ii) the Borrowing Base as so reduced shall become the new Borrowing Base immediately upon the date of such issuance, effective and applicable to the Borrower, the Administrative Agent, the Swing Line Lender, the Issuing Bank and the Lenders on such date until the next redetermination or modification thereof hereunder. For purposes of this Section 2.06(e), if any such Debt consisting of senior notes issued pursuant to Section 9.02(h) (or guaranty thereof) is issued at a discount or otherwise sold for less than “par,” the reduction shall be calculated based upon the stated principal amount without reference to such discount. Notwithstanding the foregoing, no such reduction to the Borrowing Base shall be required with respect to any issuance of other Permitted Unsecured Notes pursuant to Section 9.02(i) which is used to refinance outstanding unsecured notes except with respect to any portion of the face principal amount of such refinancing Debt which exceeds the principal amount of such refinanced Debt (plus any accrued interest, fees, expenses and premiums of such refinanced Debt).

#### Section 2.07. Letters of Credit.

(a) General. Subject to the terms and conditions of this Agreement, the Issuing Bank may (but shall not be required to) through the Issuing Office, at any time and from time to time from and after the date hereof until five (5) Business Days prior to the Revolving Credit Maturity Date, upon the written request of the Borrower accompanied by a duly executed Letter of Credit Agreement and such other documentation related to

the requested Letter of Credit as Issuing Bank may require, issue Letters of Credit in Dollars for the account of any Credit Party, in an aggregate amount for all Letters of Credit issued hereunder at any one time outstanding not to exceed the Letter of Credit Maximum Amount. Notwithstanding that a Letter of Credit issued or outstanding hereunder is in support of any obligations of, or is for the account of, any Credit Party other than the Borrower, the Borrower shall be obligated to reimburse the Issuing Bank hereunder for any and all drawings under such Letter of Credit. The Borrower hereby acknowledges that the issuance of Letters of Credit for the account of any other Credit Party inures to the benefit of the Borrower and that the Borrower's business derives substantial benefits from the businesses of such other Credit Party. Each Letter of Credit (including any renewal thereof) shall expire not later than the first to occur of (i) twelve (12) months after the date of issuance thereof or such longer time as may be approved by Issuing Bank and (ii) five (5) Business Days prior to the Revolving Credit Maturity Date in effect on the date of issuance thereof. The submission of all applications in respect of and the issuance of each Letter of Credit hereunder shall be subject in all respects to the International Standby Practices 98, and any successor documentation thereto and to the extent not inconsistent

therewith, the laws of the State of New York. In the event of any conflict between this Agreement and any Letter of Credit Document other than any Letter of Credit, this Agreement shall control.

(b) Conditions to Issuance. No Letter of Credit shall be issued (including the renewal or extension of any Letter of Credit previously issued) at the request and for the account of the Borrower unless, as of the date of issuance (or renewal or extension) of such Letter of Credit:

(i) after giving effect to the Letter of Credit requested, the Letter of Credit Obligations do not exceed the Letter of Credit Maximum Amount; and (ii) after giving effect to the Letter of Credit requested, the Letter of Credit Obligations on such date plus the aggregate amount of all Revolving Credit Loans and Swing Line Loans (including all Loans deemed disbursed by Administrative Agent under Section 2.07(f)(iii) hereof in respect of the Borrower's Reimbursement Obligations) hereunder requested or outstanding on such date do not exceed the least of (A) the Aggregate Maximum Credit Amounts, (B) the then applicable Borrowing Base and (C) the Aggregate Elected Commitment Amount;

(ii) the conditions set forth in Section 6.02 have been satisfied;

(iii) if requested by the Issuing Bank, the Borrower shall have delivered to the Issuing Bank at its Issuing Office the Letter of Credit Agreement related thereto, together with such other documents and materials as may be required pursuant to the terms thereof, and the terms of the proposed Letter of Credit shall be reasonably satisfactory to the Issuing Bank;

(iv) no order, judgment or decree of any court, arbitrator or Governmental Authority shall purport by its terms to enjoin or restrain Issuing Bank from issuing the Letter of Credit requested, or any Revolving Credit Lender from taking an assignment of its Revolving Credit Percentage thereof pursuant to Section 2.07(f) hereof, and no law, rule, regulation, request or directive (whether or not having the force of law) shall prohibit the Issuing Bank from issuing, or any Revolving Credit Lender from taking an assignment of its Applicable Revolving Credit Percentage of, the Letter of Credit requested or letters of credit generally;

(v) there shall have been (A) no introduction of or change in the interpretation of any law or regulation, (B) no declaration of a general banking moratorium by banking authorities in the United States, New York or the respective jurisdictions in which the Revolving Credit Lenders, the Borrower and the beneficiary of the requested Letter of Credit are located, and (C) no establishment of any new restrictions by any central bank or other Governmental Authority on transactions involving letters of credit or on banks generally that, in any case described in this clause (v), would make it unlawful or unduly burdensome for the Issuing Bank to issue or any



Revolving Credit Lender to take an assignment of its Applicable Revolving Credit Percentage of the requested Letter of Credit or letters of credit generally;

(vi) if any Revolving Credit Lender is a Defaulting Lender, the Issuing Bank has entered into arrangements satisfactory to it to eliminate Issuing Bank's risk with respect to the participation in Letters of Credit by all such Defaulting Lender, including, without limitation, the creation of a cash collateral account or delivery of other security by the Borrower to assure payment of such Defaulting Lender's Applicable Revolving Credit Percentage of all outstanding Letter of Credit Obligations; and

(vii) the Issuing Bank shall have received the issuance fees required in connection with the issuance of such Letter of Credit pursuant to Section 2.07(d) hereof.

Each Letter of Credit Agreement submitted to Issuing Bank pursuant hereto shall constitute the certification by Borrower of the matters set forth in Section 6.02 hereof. The Administrative Agent shall be entitled to rely on such certification without any duty of inquiry.

(c) Notice. The Issuing Bank shall deliver to the Administrative Agent, concurrently with or promptly following its issuance of any Letter of Credit, a true and complete copy of each Letter of Credit. Promptly upon its receipt thereof, the Administrative Agent shall give notice, substantially in the form attached as Exhibit K, to each Revolving Credit Lender of the issuance of each Letter of Credit, specifying the amount thereof and the amount of such Revolving Credit Lender's Applicable Revolving Credit Percentage thereof.

(d) Letter of Credit Fees.

(i) The Borrower shall pay letter of credit fees as follows:

(A) The greater of (I) *per annum* letter of credit fee with respect to the face amount of each Letter of Credit issued pursuant hereto in the amount of the Applicable Margin (determined with reference to Schedule 1.1 to this Agreement) and (II) \$500 shall be paid to the Administrative Agent for distribution to the Revolving Credit Lenders in accordance with their Applicable Revolving Credit Percentages.

(B) A letter of credit facing fee on the face amount of each Letter of Credit shall be paid to the Administrative Agent for distribution to the Issuing Bank for its own account, in accordance with the terms of the applicable Fee Letter.

(ii) All payments by the Borrower to the Administrative Agent for distribution to the Issuing Bank or the Revolving Credit Lenders under this Section 2.07(d) shall be made in Dollars in immediately available funds at the Issuing Office or such other office of the Administrative Agent as may be designated from time to time by written notice to Borrower by the Administrative Agent. The fees described in clauses (i)(A) and (B) above (I) shall be nonrefundable under all circumstances subject to Section 12.12 and (II) shall be payable quarterly in arrears on the last day of each March, June, September and December of each year. The fees due under clause (i)(A) above shall be determined by multiplying the Applicable Margin times the face amount of each such Letter of Credit on the date of determination, and shall be calculated on the basis of a 360 day year and assessed for the actual number of days from the date of the issuance thereof to the stated expiration thereof.

(e) Other Fees. In connection with the Letters of Credit, and in addition to the Letter of Credit Fees, the Borrower shall pay, for the sole account of the Issuing Bank, standard documentation, administration, payment and cancellation charges assessed by the Issuing Bank or the Issuing Office, at the times, in the amounts

and on the terms set forth or to be set forth from time to time in the standard fee schedule of the Issuing Office in effect from time to time.

(f) Participation Interests in and Drawings and Demands for Payment Under Letters

of Credit.

(i) By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Revolving Credit Lender, and each Revolving Credit Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Revolving Credit Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Credit Lender hereby absolutely and

unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Revolving Credit Percentage of each Letter of Credit Payment made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (ii) below, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Credit Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default, an Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(ii) If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Borrower agrees to pay to the Issuing Bank an amount equal to the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all reasonable expenses paid or incurred by the Administrative Agent relative thereto not later than 12:00 noon (New York time), in Dollars, on (A) the Business Day that the Borrower received notice of such presentment and honor, if such notice is received prior to 10:00 a.m. (New York time) or (B) the Business Day immediately following the day that the Borrower received such notice, if such notice is received after 10:00 a.m. (New York time).

(iii) If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, but the Borrower does not reimburse the Issuing Bank as required under clause (ii) above and the Aggregate Maximum Commitment Amounts have not been terminated (whether by maturity, acceleration or otherwise), the Borrower shall be deemed to have immediately requested that the Revolving Credit Lenders make a ABR Revolving Credit Borrowing (which Borrowing may be subsequently converted at any time into a Eurodollar Borrowing pursuant to Section 2.03 hereof) in the principal amount equal to the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all reasonable expenses paid or incurred by the Administrative Agent relative thereto. The Administrative Agent will promptly notify the Revolving Credit Lenders of such deemed request, and each such Lender shall make available to the Administrative Agent an amount equal to its *pro rata* share (based on its Applicable Revolving Credit Percentage) of the amount of such Borrowing.

(iv) If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, but the Borrower does not reimburse the Issuing Bank as required under clause (ii) above, and (A) the Aggregate Maximum Credit Amounts have been terminated (whether by maturity, acceleration or otherwise), or (B) any reimbursement received by the Issuing Bank from the Borrower is or must be returned or rescinded upon or during any bankruptcy or reorganization of the Borrower or any of its Subsidiaries

or otherwise, then the Administrative Agent shall notify each Revolving Credit Lender, and each Revolving Credit Lender will be obligated to pay the Administrative Agent for the account of the Issuing Bank its *pro rata* share (based on its Applicable Revolving Credit Percentage) of the amount paid by the Issuing Bank in respect of such draft or other demand under such Letter of Credit and all reasonable expenses paid or incurred by the Administrative Agent relative thereto (but no such payment shall diminish the obligations of the Borrower hereunder). Upon receipt thereof, the Administrative Agent will deliver to such Revolving Credit Lender a participation certificate evidencing its participation interest in respect of such payment and expenses. To the extent that a Revolving Credit Lender fails to make such amount available to the Administrative Agent by 10:00 am New York time on the Business Day next succeeding the date such notice is given, such Revolving Credit Lender shall pay interest on such amount in respect of each day from the date such amount was required to be paid, to the date paid to the Administrative Agent, at a rate *per annum* equal to the rate applicable under Section 2.04(c)(i) with respect to Revolving Credit Borrowings. The failure of any Revolving Credit Lender to make its *pro rata* portion of any such amount available under to the Administrative Agent shall not relieve any other

40

Revolving Credit Lender of its obligation to make available its *pro rata* portion of such amount, but no Revolving Credit Lender shall be responsible for failure of any other Revolving Credit Lender to make such *pro rata* portion available to the Administrative Agent.

(v) In the case of any Borrowing made under this Section 2.07(f), each such Borrowing shall be disbursed notwithstanding any failure to satisfy any conditions for disbursement of any Borrowing set forth in Article II hereof or Article VI hereof, and, to the extent of the Borrowing so disbursed, the Reimbursement Obligation of Borrower to the Administrative Agent under this Section 2.07(f) shall be deemed satisfied (unless, in each case, taking into account any such deemed Borrowings, the aggregate outstanding principal amount of Revolving Credit Borrowings and Swing Line Loans, plus the Letter of Credit Obligations (other than the Reimbursement Obligations to be reimbursed by this Borrowing) on such date exceed the lesser of the Borrowing Base, the then applicable Aggregate Maximum Credit Amounts or the then applicable Aggregate Elected Commitment Amount).

(vi) If the Issuing Bank shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Issuing Bank shall provide notice thereof to the Borrower on the date such draft or demand is honored, and to each Revolving Credit Lender on such date unless the Borrower shall have satisfied its Reimbursement Obligations by payment to the Administrative Agent (for the benefit of the Issuing Bank) as required under this Section 2.07(f). The Issuing Bank shall further use reasonable efforts to provide notice to the Borrower prior to honoring any such draft or other demand for payment, but such notice, or the failure to provide such notice, shall not affect the rights or obligations of the Issuing Bank with respect to any Letter of Credit or the rights and obligations of the parties hereto, including without limitation the obligations of the Borrower under this Section 2.07(f).

(vii) Notwithstanding the foregoing however, no Revolving Credit Lender shall be deemed to have acquired a participation in a Letter of Credit if the officers of the Issuing Bank immediately responsible for matters concerning this Agreement shall have received written notice from the Administrative Agent or any Lender at least two (2) Business Days prior to the date of the issuance or extension of such Letter of Credit or, with respect to any Letter of Credit subject to automatic extension, at least five (5) Business Days prior to the date that the beneficiary under such Letter of Credit must be notified that such Letter of Credit will not be renewed, that the issuance or extension of Letters of Credit should be suspended based on the occurrence

and continuance of a Default or Event of Default and stating that such notice is a “notice of default”; provided, however, that the Revolving Credit Lenders shall be deemed to have acquired such a participation upon the date on which such Default or Event of Default has been waived by the requisite Revolving Credit Lenders, as applicable, but effective as of the extension or issuance date.

(viii) Nothing in this Agreement shall be construed to require or authorize any Revolving Credit Lender to issue any Letter of Credit, it being recognized that the Issuing Bank shall be the sole issuer of Letters of Credit under this Agreement.

(ix) In the event that any Revolving Credit Lender becomes a Defaulting Lender, the Issuing Bank may, at its option, require that the Borrower enter into arrangements satisfactory to the Issuing Bank to eliminate the Issuing Bank’s risk with respect to the participation in Letters of Credit by such Defaulting Lender, including creation of a cash collateral account or delivery of other security to assure payment of such Defaulting Lender’s Applicable Revolving Credit Percentage of all outstanding Letter of Credit Obligations.

(g) Obligations Irrevocable. The obligations of the Borrower to make payments to the Administrative Agent for the account of the Issuing Bank or the Revolving Credit Lenders with respect to Letter of Credit Obligations under Section 2.07(f) hereof, shall be unconditional and irrevocable and not subject to any qualification or exception whatsoever, including, without limitation:

(i) Any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Agreement, any other documentation relating to any Letter of Credit, this Agreement or any of the other Loan Documents (the “Letter of Credit Documents”);

(ii) Any amendment, modification, waiver, consent, or any substitution, exchange or release of or failure to perfect any interest in collateral or security, with respect to or under any Letter of Credit Document;

(iii) The existence of any claim, setoff, defense or other right which the Borrower may have at any time against any beneficiary or any transferee of any Letter of Credit (or any persons or entities for whom any such beneficiary or any such transferee may be acting), the Administrative Agent, the Issuing Bank or any Revolving Credit Lender or any other Person, whether in connection with this Agreement, any of the Letter of Credit Documents, the transactions contemplated herein or therein or any unrelated transactions;

(iv) Any draft or other statement or document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) Payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(vi) Any failure, omission, delay or lack on the part of the Administrative Agent, the Issuing Bank or any Revolving Credit Lender or any party to any of the Letter of Credit Documents or any other Loan Document to enforce, assert or exercise any right, power or remedy conferred upon the Administrative Agent, the Issuing Bank, any Revolving Credit Lender or any such party under this Agreement, any of the other Loan Documents or any of the Letter of Credit Documents, or any other acts or omissions on the part of the Administrative Agent, the Issuing Bank, any Revolving Credit Lender or any such party; or

(vii) Any other event or circumstance that would, in the absence of this Section 2.07(g), result in the release or discharge by operation of law or otherwise of the Borrower from the performance or observance of any obligation, covenant or agreement contained in Section 2.07(f) hereof.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which the Borrower has or may have against the beneficiary of any Letter of Credit shall be available hereunder to the Borrower against the Administrative Agent, the Issuing Bank or any Revolving Credit Lender. With respect to any Letter of Credit, nothing contained in this Section 2.07(g) shall be deemed to prevent the Borrower, after satisfaction in full of the absolute and unconditional obligations of the Borrower hereunder with respect to such Letter of Credit, from asserting in a separate action any claim, defense, set off or other right which it may have against the Administrative Agent, the Issuing Bank or any Revolving Credit Lender in connection with such Letter of Credit.

(h) Risk Under Letters of Credit.

(i) In the administration and handling of Letters of Credit and any security therefor, or any documents or instruments given in connection therewith, the Issuing Bank shall have the sole right to take or refrain from taking any and all actions under or upon the Letters of Credit.

(ii) Subject to other terms and conditions of this Agreement, the Issuing Bank shall issue the Letters of Credit and shall hold the documents related thereto in its own name and shall make all collections thereunder and otherwise administer the Letters of Credit in accordance with the Issuing Bank's regularly established practices and procedures and will have no further obligation with respect thereto. In the administration of Letters of Credit, the Issuing Bank shall not be liable for any action taken or omitted on the advice of counsel, accountants, appraisers or other experts selected by the Issuing Bank with due care and the Issuing Bank may rely upon any notice, communication, certificate or other statement from the Borrower, beneficiaries of Letters of Credit, or any other Person which the Issuing Bank believes to be authentic. The Issuing Bank will, upon request, furnish the Revolving Credit Lenders with copies of Letter of Credit Documents related thereto.

(iii) In connection with the issuance and administration of Letters of Credit and the assignments hereunder, the Issuing Bank makes no representation and shall have no responsibility with respect to (i) the obligations of the Borrower or the validity, sufficiency or enforceability of any document or instrument given in connection therewith, or the taking of any action with respect to same, (ii) the financial condition of, any representations made by, or any act or omission of the Borrower or any other Person, or (iii) any failure or delay in exercising any rights or powers possessed by the Issuing Bank in its capacity as issuer of Letters of Credit in the absence of its gross negligence or willful misconduct. Each of the Revolving Credit Lenders expressly acknowledges that it has made and will continue to make its own evaluations of the Borrower's creditworthiness without reliance on any representation of the Issuing Bank or the Issuing Bank's officers, agents and employees.

(iv) If at any time the Issuing Bank shall recover any part of any unreimbursed amount for any draw or other demand for payment under a Letter of Credit, or any interest thereon, the Administrative Agent or the Issuing Bank, as the case may be, shall receive same for the *pro rata* benefit of the Revolving Credit Lenders in accordance with their respective Applicable Revolving Credit Percentages and shall promptly deliver to each Revolving Credit Lender its share thereof, less such Revolving Credit Lender's *pro rata* share of the costs of such recovery, including court costs and attorney's fees. If at any time any Revolving Credit Lender shall receive from any source whatsoever any payment on any such unreimbursed amount or interest thereon in excess of such Revolving Credit Lender's Applicable Revolving Credit Percentage of such payment, such Revolving Credit Lender will promptly pay over such excess to the Administrative Agent, for redistribution in accordance with this Agreement.

(i) Indemnification. The Borrower hereby indemnifies and agrees to hold harmless the Revolving Credit Lenders, the Issuing Bank and the Administrative Agent and their respective Affiliates, and the respective officers, directors, employees and agents of such Persons (each an “L/C Indemnified Person”), from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Revolving Credit Lenders, the Issuing Bank or the Administrative Agent or any such Person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit (collectively, the “L/C Indemnified Amounts”), and none of the L/C Indemnified Persons shall be liable or responsible for:

(i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith;

(ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged;

(iii) payment by the Issuing Bank to the beneficiary under any Letter of Credit against presentation of documents which do not strictly comply with the terms of any Letter of Credit (unless such payment resulted from the gross negligence or willful misconduct of the Issuing Bank), including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or

(v) any other event or circumstance whatsoever arising in connection with any

Letter of Credit.

It is understood that in making any payment under a Letter of Credit, the Issuing Bank will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary.

With respect to subparagraphs (i) through (v) hereof, (A) the Borrower shall not be required to indemnify any L/C Indemnified Person for any L/C Indemnified Amounts to the extent such amounts result from the gross negligence or willful misconduct of such L/C Indemnified Person or any officer, director, employee or agent of such L/C Indemnified Person and (B) the Administrative Agent and the Issuing Bank shall be liable to the Borrower to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by the Borrower which were caused by the gross negligence or willful misconduct of any L/C Indemnified Person or by the Issuing Bank's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

(j) Right of Reimbursement. Each Revolving Credit Lender agrees to reimburse the Issuing Bank on demand, *pro rata* in accordance with its respective Applicable Revolving Credit Percentage, for (A) the reasonable out-of-pocket costs and expenses of the Issuing Bank to be reimbursed by the Borrower pursuant to any Letter of Credit Agreement or any Letter of Credit, to the extent not reimbursed by the Borrower or any of its Subsidiaries and (B) any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, fees, reasonable out-of-pocket expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Issuing Bank in any way relating to or arising out of this

Agreement (including Section 2.07(f)(iii) hereof), any Letter of Credit, any documentation or any transaction relating thereto, or any Letter of Credit Agreement, to the extent not reimbursed by the Borrower, except to the extent that such liabilities, losses, costs or expenses were incurred by the Issuing Bank as a result of the Issuing Bank's gross negligence or willful misconduct or by the Issuing Bank's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit.

Section 2.08. Swing Line.

(a) Swing Line Loans. Each Swing Line Lender may, on the terms and subject to the conditions hereinafter set forth (including without limitation Section 2.08(c) hereof), but shall not be required to, make one or more Loans (each such loan being a "Swing Line Loan") to the Borrower from time to time on any Business Day during the period from the Effective Date hereof until (but excluding) the Revolving Credit Maturity Date in an aggregate amount not to exceed at any one time outstanding the Swing Line Maximum Amount. Subject to the terms set forth herein, advances, repayments and re-advances may be made under the Swing Line.

(b) Accrual of Interest and Maturity; Evidence of Indebtedness.

(i) Each Swing Line Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Swing Line Lender resulting from each Swing Line Loan made by it from time to time, including the amount and date of each Swing Line Loan, its applicable interest rate, its Interest Period, if any, and the amount and date of any repayment made on any Swing Line Loan from time to time. The entries made in such account or accounts of such Swing Line Lender shall be prima facie evidence, absent manifest error, of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Swing Line Lender to maintain such account, as applicable, or any error therein, shall not in any manner affect the obligation of Borrower to repay the Swing Line Loans (and all other amounts owing with respect thereto) in accordance with the terms of this Agreement.

(ii) the Borrower agrees that, upon the written request of any Swing Line Lender, the Borrower will execute and deliver to such Swing Line Lender a Swing Line Note.

(iii) the Borrower unconditionally promises to pay to the Administrative Agent for the account of the applicable Swing Line Lender the then unpaid principal amount of each Swing Line Loan (plus all accrued and unpaid interest) made by such Swing Line Lender on (A) the earlier of (I) the Termination Date and (II) the tenth Business Day after such Swing Line Loan is made and (B) on such other dates and in such other amounts as may be required from time to time pursuant to this Agreement. Subject to the terms and conditions hereof, each Swing Line Loan shall, from time to time after the date of such Loan (until paid), bear interest at the rate specified in Section 3.02.

(c) Requests for Swing Line Loans. The Borrower may request a Swing Line Loan by the delivery to the applicable Swing Line Lender of a Request for Swing Line Loan executed by a Responsible Officer for the Borrower, subject to the following:

(i) each such Request for Swing Line Loan shall set forth the information required on the Request for Swing Line Loan, including without limitation, (A) the proposed date of such Swing Line Loan, which must be a Business Day, (B) whether such Swing Line Loan is to be a ABR Loan or a Quoted Rate Loan, and (C) in the case of a Quoted Rate Loan, the duration of the Interest Period applicable thereto;

(ii) on the proposed date of such Swing Line Loan, after giving effect to all outstanding

requests for Swing Line Loans made by the Borrower as of the date of determination, (A) the aggregate principal amount of all Swing Line Loans outstanding on such date shall not exceed the Swing Line Maximum Amount and (B) such Swing Line Lender's Revolving Credit Exposure shall not exceed its Commitment;

(iii) on the proposed date of such Swing Line Loan, after giving effect to all outstanding requests for Revolving Credit Loans and Swing Line Loans and Letters of Credit requested by the Borrower on such date of determination (including, without duplication, Loans that are deemed disbursed pursuant to Section 2.07(f)(iii) hereof in respect of the Borrower's Reimbursement Obligations hereunder), the sum of (A) the aggregate principal amount of all Revolving Credit Loans and the Swing Line Loans outstanding on such date plus (B) the Letter of Credit Obligations on such date shall not exceed the lesser of (I) the Aggregate Maximum Credit Amounts, (II) the then applicable Borrowing Base and (III) the Aggregate Elected Commitment Amount;

(iv) (A) in the case of a Swing Line Loan that is an ABR Loan, the principal amount of the initial funding of such Loan, as opposed to any refunding or conversion thereof, shall be at

least \$250,000 or such lesser amount as may be agreed to by the applicable Swing Line Lender, and (B) in the case of a Swing Line Loan that is a Quoted Rate Loan, the principal amount of such Loan, plus any other outstanding Swing Line Loans to be then combined therewith having the same Interest Period, if any, shall be at least \$250,000 or such lesser amount as may be agreed to by the applicable Swing Line Lender, and at any time there shall not be in effect more than three (3) Interest Periods;

(v) each such Request for Swing Line Loan shall be delivered to the applicable Swing Line Lender by 2:00 p.m. (New York time) on the proposed date of the Swing Line Loan;

(vi) each Request for Swing Line Loan, once delivered to such Swing Line Lender, shall not be revocable by the Borrower, and shall constitute and include a certification by the Borrower as of the date thereof that the conditions set forth in subsections (a), (b) and (c) of Section 6.02 have been satisfied;

(vii) At the option of the Administrative Agent, subject to revocation by the Administrative Agent at any time and from time to time and so long as the Administrative Agent is the applicable Swing Line Lender, the Borrower may utilize the Administrative Agent's "Sweep to Loan" automated system for obtaining Swing Line Loans and making periodic repayments. At any time during which the "Sweep to Loan" system is in effect, Swing Line Loans shall be advanced to fund borrowing needs pursuant to the terms of the Sweep Agreement. Each time a Swing Line Loan is made using the "Sweep to Loan" system, the Borrower shall be deemed to have certified to the Administrative Agent and the Lenders each of the matters set forth in clause (vi) of this Section 2.08(c). Principal and interest on such Swing Line Loans requested, or deemed requested, pursuant to this Section 2.08 shall be paid pursuant to the terms and conditions of the Sweep Agreement without any deduction, setoff or counterclaim whatsoever. Unless sooner paid pursuant to the provisions hereof or the provisions of the Sweep Agreement, the principal amount of such Swing Line Loans shall be paid in full, together with accrued interest thereon, on the Revolving Credit Maturity Date. The Administrative Agent may suspend or revoke the Borrower's privilege to use the "Sweep to Loan" system at any time and from time to time for any reason and, immediately upon any such revocation, the "Sweep to Loan" system shall no longer be available to the Borrower for the funding of such Swing Line Loans hereunder (or otherwise), and the regular procedures set forth in this Section 2.08 for the making of Swing Line Loans shall be deemed immediately to apply. The Administrative Agent may, at its option, also elect to make Swing Line Loans upon the Borrower's telephone requests on the basis set forth in the last paragraph of Section 2.03, provided that Borrower complies with the provisions set forth in this Section 2.08.



(d) Disbursement of Swing Line Loans. Upon receiving any executed Request for Swing Line Loan from the Borrower and the satisfaction of the conditions set forth in Section 2.08(c) hereof, the applicable Swing Line Lender shall make available to the Borrower the amount so requested in Dollars not later than 3:00 p.m. (New York time) on the date of such Loan, by credit to an account of the Borrower maintained with the Administrative Agent or to such other account or third party as the Borrower may reasonably direct in writing, subject to applicable law, provided such direction is timely given. The applicable Swing Line Lender shall promptly notify the Administrative Agent of any such Swing Line Loan by telephone, telex or telecopier.

(e) Refunding of or Participation Interest in Swing Line Loans.

(i) Each Swing Line Lender may by written notice given to the Administrative Agent require the Revolving Credit Lenders to acquire participations in all or a portion of its Swing Line Loans outstanding. Such notice shall specify the aggregate amount of such Swing Line Loans in which Revolving Credit Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Credit Lender, specifying in such notice

46

such Revolving Credit Lender's Applicable Revolving Credit Percentage of such Swing Line Loans. Each Revolving Credit Lender hereby absolutely and unconditionally agrees, promptly upon receipt of such notice from the Administrative Agent (and in any event, if such notice is received by 12:00 noon, New York time, on a Business Day no later than 5:00 p.m. New York time on such Business Day and if received after 12:00 noon, New York time, on a Business Day shall mean no later than 10:00 a.m. New York time on the immediately succeeding Business Day), to pay to the Administrative Agent, for the account of the applicable Swing Line Lender, such Revolving Credit Lender's Applicable Revolving Credit Percentage of such Swing Line Loans (the "Refunded Swing Line Loans");

provided, however, that the Swing Line Loans carried at the Quoted Rate which are refunded with Revolving Credit Loans at the request of the applicable Swing Line Lender at a time when no Default or Event of Default has occurred and is continuing shall not be subject to Section 5.02 and no losses, costs or expenses may be assessed by such Swing Line Lender against the Borrower or the Revolving Credit Lenders as a consequence of such refunding. The applicable Revolving Credit Loans used to refund any such Swing Line Loans shall be ABR Loans. In connection with the making of any such Refunded Swing Line Loans or the purchase of a participation interest in Swing Line Loans under Section 2.08(e)(ii) hereof, the Swing Line Lender shall retain its claim against the Borrower for any unpaid interest or fees in respect thereof accrued to the date of such refunding. Unless any of the events described in Section 10.01(h) or (i) hereof shall have occurred (in which event the procedures of Section 2.08(e)(ii) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Loan are then satisfied (but subject to Section 2.08(e)(iii)), each Revolving Credit Lender shall make the proceeds of its Revolving Credit Loan available to the Administrative Agent for the benefit of the applicable Swing Line Lender at the office of the Administrative Agent specified in Section 2.04(a) hereof prior to 11:00 a.m. (New York time) on the Business Day next succeeding the date such notice is given, in immediately available funds. The proceeds of such Revolving Credit Loans shall be immediately applied to repay the Refunded Swing Line Loans, subject to Section 5.02 hereof.

(ii) If, prior to the making of a Revolving Credit Loan pursuant to Section 2.08(e)(i) hereof, one of the events described in Section 10.01(h) or Section 10.01(i) hereof shall have occurred, each Revolving Credit Lender will, on the date such Revolving Credit Loan was to have been made, purchase from the

applicable Swing Line Lender an undivided participating interest in each of its Swing Line Loans that was to have been refunded in an amount equal to its Applicable Revolving Credit Percentage of such Swing Line Loans. Each Revolving Credit Lender within the time periods specified in Section 2.08(e)(i) hereof, as applicable, shall immediately transfer to Administrative Agent, for the benefit of the applicable Swing Line Lender, in immediately available funds, an amount equal to its Applicable Revolving Credit Percentage of the aggregate principal amount of all of its Swing Line Loans outstanding as of such date. Upon receipt thereof, the Administrative Agent will deliver to such Revolving Credit Lender a Swing Line Participation Certificate evidencing such participation.

(iii) Each Revolving Credit Lender's obligation to make Revolving Credit Loans to refund Swing Line Loans, and to purchase participation interests, in accordance with Section 2.08(e)(i) and Section 2.08(e)(ii), respectively, shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right which such Revolving Credit Lender may have against any Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any adverse change in the condition (financial or otherwise) of the Borrower or any other Person; (D) any breach of this Agreement or any other Loan Document by the Borrower or any other Person;

(A) any inability of the Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such Revolving Credit Loan is to be made or such participating interest is to be purchased; (F) the reduction or termination of the Commitments hereunder; or (G) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Revolving Credit

47

Lender does not make available to the Administrative Agent the amount required pursuant to Section 2.08(e)(i) or Section 2.08(e)(ii) hereof, as the case may be, the Administrative Agent on behalf of the applicable Swing Line Lender, shall be entitled to recover such amount on demand from such Revolving Credit Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full (x) for the first two (2) Business Days such amount remains unpaid, at the NYFRB Rate and

(a) thereafter, at the rate of interest then applicable to such Swing Line Loans. The obligation of any Revolving Credit Lender to make available its *pro rata* portion of the amounts required pursuant to Section 2.08(e)(i) or Section 2.08(e)(ii) hereof shall not be affected by the failure of any other Revolving Credit Lender to make such amounts available, and no Revolving Credit Lender shall have any liability to any of the Borrower or any of its Subsidiaries, the Administrative Agent, the Swing Line Lenders, or any other Revolving Credit Lender or any other party for another Revolving Credit Lender's failure to make available the amounts required under Section 2.08(e)(i) or Section 2.08(e)(ii) hereof.

### **ARTICLE III**

#### **PAYMENTS OF PRINCIPAL AND INTEREST ON REVOLVING CREDIT LOANS AND SWING LINE LOANS; PREPAYMENTS OF REVOLVING CREDIT LOANS; FEES**

Section 3.01. Repayment of Revolving Credit Loans and Swing Line Loans The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Revolving Credit Lender the then unpaid principal amount of each Revolving Credit Loan on the Termination Date and for the account of the Swing Line Lender the then unpaid principal amount of each Swing Line Loan on the dates provided for in Section 2.08(b)(iii).

Section 3.02. Interest on Revolving Credit Loans and Swing Line Loans

(a) ABR Revolving Credit Loans. The Revolving Credit Loans comprising each ABR Revolving Credit Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(b) Eurodollar Revolving Credit Loans. The Revolving Credit Loans comprising each Eurodollar Revolving Credit Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Revolving Credit Borrowing plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(c) Swing Line Loans. Each ABR Swing Line Loan shall bear interest at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate, and (ii) each Quoted Rate Loan shall bear interest at its Quoted Rate, but in no event to exceed the Highest Lawful Rate.

(d) Post-Default Rate. Notwithstanding the foregoing, if (i) an Event of Default specified in Section 10.01(a), Section 10.01(b), Section 10.01(h), Section 10.01(i) or Section 10.01(j) has occurred and is continuing, or (ii) the Majority Revolving Credit Lenders so elect (or direct the Administrative Agent to so elect) in connection with the occurrence and continuance of any Event of Default (other than those specified in Section 10.01(a), Section 10.01(b), Section 10.01(h), Section 10.01(i) or Section 10.01(j)), then, in each case, all Obligations shall bear interest, after as well as before judgment, at a rate *per annum* equal to (x) in the case of outstanding Loans, two percent (2%) plus the rate applicable to such Loans (including the Applicable Margin applicable with respect to such Loans) or (y) in the case of any other outstanding Obligations (regardless of whether then due and payable), two percent (2%) plus the rate applicable to ABR Revolving Credit Loans (including the Applicable Margin applicable with respect to ABR Revolving Credit Loans), in each case, not to exceed the Highest Lawful Rate in any event.

(e) Interest Payment Dates: Interest Payments for Swing Line Loans Accrued interest on each Revolving Credit Loan shall be payable in arrears on each Interest Payment Date for such Revolving Credit Loan and on the Termination Date; provided that interest accrued pursuant to Section 3.02(d) shall be payable on demand, in the event of any repayment or prepayment of any Revolving Credit Loan (other than an optional prepayment of an ABR Revolving Credit Loan prior to the Termination Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and in the event of any conversion of any Eurodollar Revolving Credit Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Credit Loan shall be payable on the effective date of such conversion. Accrued interest on each ABR Swing Line Loan shall be payable in arrears on the first day of each month and on the Termination Date. Accrued interest on each Quoted Rate Loan shall be payable on the last day of the Interest Period applicable thereto. Notwithstanding the foregoing, all accrued and unpaid interest on any Swing Line Loan refunded pursuant to Section 2.08(e) hereof shall be due and payable in full on the date such Swing Line Loan is refunded or converted.

(f) Interest Rate Computations. All interest on Revolving Credit Loans and Swing Line Loans shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error, and be binding upon the parties hereto.

Section 3.03. Prepayments of Revolving Credit Loans and Swing Line Loans

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Revolving Credit Borrowing or Swing Line Loan in whole or in part, subject to prior notice in accordance with Section 3.03(b).

(b) Notice and Terms of Optional Prepayment. The Borrower shall notify the Administrative Agent by telephone (confirmed by facsimile) of any prepayment hereunder in the case of prepayment of a Eurodollar Revolving Credit Borrowing, not later than 12:00 noon, New York time, three Business Days before the date of prepayment, in the case of prepayment of an ABR Revolving Credit Borrowing, not later than 12:00 noon, New York time, one Business Day before the date of prepayment and, in the case of prepayment of an ABR Swing Line Loan or Quoted Rate Loan, not later than 12:00 noon, New York time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Revolving Credit Borrowing or Swing Line Loan or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.05(b), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.05(b). Promptly following receipt of any such notice relating to a Revolving Credit Borrowing or Swing Line Loan, the Administrative Agent shall advise the Revolving Credit Lenders of the contents thereof. Each partial prepayment of any Revolving Credit Borrowing or Swing Line Loan shall be in an amount that would be permitted in the case of an advance of a Revolving Credit Borrowing or Swing Line Loan of the same Type as provided in Section 2.02. Each prepayment of a Revolving Credit Borrowing shall be applied ratably to the Revolving Credit Loans included in the prepaid Revolving Credit Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.02.

(c) Mandatory Prepayments.

(i) If, after giving effect to any termination or reduction of the Aggregate Maximum Credit Amounts pursuant to Section 2.05(b) or reduction of the Aggregate Elected Commitment Amount pursuant to Section 2.01(b), the total Revolving Credit Exposures exceeds the total Commitments, then the Borrower shall prepay the Revolving Credit Borrowings and Swing Line Loans on the date of such termination or reduction in an aggregate principal amount equal to such excess, and if any excess remains after prepaying all of the Revolving Credit Borrowings and Swing Line Loans as a result of Letter of Credit Obligations, Cash Collateralize such excess in an amount equal to the greater of (x) the amount of such Letter of Credit Obligations and (y) the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit.

(ii) (A) Upon any Scheduled Redetermination or Interim Redetermination, if the total Revolving Credit Exposures exceeds the redetermined or adjusted Borrowing Base and the Administrative Agent sends a New Borrowing Base Notice to the Borrower indicating such deficiency (each, a "Borrowing Base Deficiency Notice"), then the Borrower shall within ten (10) Business Days following receipt of such Borrowing Base Deficiency Notice elect whether to (I) prepay the Revolving Credit Borrowings and Swing Line Loans by an amount which would, if prepaid immediately, reduce the total Revolving Credit Exposures to the amount of the Borrowing Base, (II) execute one or more Security Instruments (or cause a Subsidiary to execute one or more Security Instruments) covering such other Oil and Gas Properties as are reasonably acceptable to the Majority Revolving Credit Lenders having present values which, in the reasonable opinion of the Majority Revolving Credit Lenders, based upon the Majority Revolving Credit Lenders' good-faith evaluation of the engineering data provided them, taken in the aggregate are sufficient to increase the Borrowing Base to an amount at least equal to the total Revolving Credit Exposures, or (III) do any combination of the foregoing. If the Borrower fails to make an election within ten (10) Business Days after the Borrower's receipt of the Borrowing Base Deficiency Notice, then Borrower

shall be deemed to have selected the prepayment option specified in clause (III) above. To the extent any prepayment of Revolving Credit Borrowings and Swing Line Loans is required hereunder, if any excess of total Revolving Credit Exposures over the Borrowing Base then in effect remains after prepaying all Revolving Credit Borrowings and Swing Line Loans as a result of Letter of Credit Obligations, the Borrower shall Cash Collateralize such excess in an amount equal to the greater of (1) the amount of such Letter of Credit Obligations and (2) the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit.

(A) The Borrower shall deliver such prepayments or Security Instruments covering additional Oil and Gas Properties in accordance with its election (or deemed election) pursuant to Section 3.03(c)(ii)(A) as follows:

(I) Prepayment Elections. If the Borrower elects to prepay an amount in accordance with Section 3.03(c)(ii)(A) above, then the Borrower may make such prepayment in six (6) equal consecutive monthly installments beginning within thirty (30) days after Borrower's receipt of the Borrowing Base Deficiency Notice and continuing on the same day of each month thereafter; provided that all payments required to be made pursuant to this Section 3.03(c)(ii)(B)(I) must be made on or prior to the Termination Date.

(II) Elections to Mortgage Additional Oil and Gas Properties. If the Borrower elects to mortgage additional Oil and Gas Properties in accordance with Section 3.03(c)(ii)(A) above, then (1) such properties shall be reasonably acceptable to the Majority Revolving Credit Lenders having present values which, in the reasonable opinion of the Majority Revolving Credit Lenders, based upon the Majority Revolving Credit Lenders' good-faith evaluation of the engineering data provided them, taken in the

aggregate are sufficient to increase the Borrowing Base to an amount at least equal to the total Revolving Credit Exposures, and (2) the Borrower or such Subsidiary shall execute, acknowledge and deliver to the Administrative Agent one or more Security Instruments within thirty (30) days after the Borrower's receipt of the Borrowing Base Deficiency Notice (or such longer time as determined by the Administrative Agent); provided, however (x) if none of the additional Oil and Gas Properties offered by the Borrower are reasonably acceptable to the Majority Revolving Credit Lenders, the Borrower shall be deemed to have elected the prepayment option specified in Section 3.03(c)(ii)(A)(I) (and Borrower shall make such prepayment in accordance with Section 3.03(c)(ii)(B)(I)); and

(y) if the aggregate present values of additional Oil and Gas Properties which are reasonably acceptable to the Majority Revolving Credit Lenders are insufficient to eliminate the Borrowing Base deficiency, then the Borrower shall be deemed to have selected the option specified in Section 3.03(c)(ii)(A)(III) (and the Borrower shall make prepayment and deliver or cause to be delivered one or more Security Instruments as provided in Section 3.03(c)(ii)(B)(III)). Together with such Security Instruments, the Borrower shall deliver to the Administrative Agent title opinions and/or other title information and data acceptable to the Administrative Agent such that the Administrative Agent shall have received, together with the title information previously delivered to the Administrative Agent, satisfactory title information on at least 80% of the total value of the proved Oil and Gas Properties evaluated by the most recent Reserve Report and which are required to be Mortgaged Properties hereunder.

(III) Combination Elections. If the Borrower elects (or is deemed to have elected) to eliminate the Borrowing Base deficiency by a combination of prepayment and

mortgaging of additional Oil and Gas Properties in accordance with Section 3.03(c)(ii)(A)(III), then within thirty (30) days after the Borrower's receipt of the Borrowing Base Deficiency Notice (or such longer time as determined by the Administrative Agent), the Borrower shall (or shall cause a Subsidiary to) execute, acknowledge and deliver to the Administrative Agent one or more Security Instruments covering such additional Oil and Gas Properties and pay the Administrative Agent the amount by which the Borrowing Base deficiency exceeds the present values of such additional Oil and Gas Properties in six (6) equal consecutive monthly installments beginning within thirty (30) days after Borrower's receipt of the Borrowing Base Deficiency Notice and continuing on the same day of each month thereafter; provided that all payments required to be made pursuant to this Section 3.03(c)(ii)(B)(III) must be made on or prior to the Termination Date.

(iii) Upon any adjustment to the Borrowing Base pursuant to Section 9.11 or pursuant to Section 2.06(e), if the total Revolving Credit Exposures exceeds the Borrowing Base as adjusted, then the Borrower shall prepay the Revolving Credit Borrowings and Swing Line Loans in an aggregate principal amount equal to such excess, and if any excess remains after prepaying all of the Revolving Credit Borrowings and Swing Line Loans as a result of Letter of Credit Obligations, Cash Collateralize such excess in an amount equal to the greater of (x) the amount of such Letter of Credit Obligations and (y) the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit. The Borrower shall be obligated to make such prepayment and/or Cash Collateralize such excess on the first (1<sup>st</sup>) Business Day after it receives the applicable New Borrowing Base Notice in accordance with Section 2.06(d); provided that all payments required to be made pursuant to this Section 3.03(c)(iii) must be made on or prior to the Termination Date.

(iv) To the extent that any prepayment is due under Section 3.03(c)(ii), upon receipt by the Borrower or any of its Subsidiaries of any Insurance Proceeds or Condemnation Proceeds,

51

the Borrower shall be obligated to prepay the Revolving Credit Borrowings and Swing Line Loans by an amount equal to the lesser of (A) the outstanding prepayment due under Section 3.03(c)(ii) and (B) one hundred percent (100%) of such Insurance Proceeds or Condemnation Proceeds, as the case may be and, with respect to a prepayment under clause (B) above, if any excess remains after paying all of the Revolving Credit Borrowings and Swing Line Loans, Cash Collateralize such excess in an amount equal to the greater of (x) the amount of Letter of Credit Obligations outstanding and (y) the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit; provided, however, that no prepayment shall be required under this Section 3.03(c)(iv) if Borrower or any of its Subsidiaries applies, or notifies the Administrative Agent within 30 days of receipt of such proceeds of its intent to apply within 365 days and so applies, any such Insurance Proceeds or Condemnation Proceeds toward the purchase of assets useful in the business of the Credit Parties.

(v) Each prepayment of Revolving Credit Borrowings and Swing Line Loans pursuant to this Section 3.03(c) shall be applied, first, ratably to any ABR Revolving Credit Borrowings then outstanding, and second, to any ABR Swing Line Loans then outstanding, third, to any Eurodollar Revolving Credit Borrowings then outstanding, and if more than one Eurodollar Revolving Credit Borrowing is then outstanding, to each such Eurodollar Revolving Credit Borrowing in order of priority beginning with the Eurodollar Revolving Credit Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurodollar Revolving Credit Borrowing with the most number of days remaining in the Interest Period applicable thereto, and, fourth, to Quoted Rate Loans; provided, however, if any excess remains after the prepayment of all Revolving Credit Borrowings and Swing Line Loans and after the Borrower Cash Collateralizes all Letter of Credit

Obligations or outstanding Letters of Credit, such excess shall be prepaid by the Borrower.

(vi) Each prepayment of Revolving Credit Borrowings and Swing Line Loans pursuant to this Section 3.03(c) shall be accompanied by accrued interest on the amount prepaid to the extent required by Section 3.02 or 5.06, as applicable.

(vii) To the extent that any prepayment is due under Section 3.03(c)(ii) or (iii), upon receipt by the Borrower or any of its Subsidiaries of Net Cash Proceeds from the issuance of Debt, except as permitted under Section 9.02(a) through Section 9.02(i), the Borrower shall prepay the Revolving Credit Borrowings and Swing Line Loans in an amount equal to the lesser of (A) the outstanding prepayment due under Section 3.03(c)(ii) and (B) the amount necessary to prepay the Revolving Credit Borrowings and Swing Line Loans pursuant to Section 3.03(c)(v) and, with respect to a prepayment under clause (B) above, if any excess remains after paying all of the Revolving Credit Borrowings and Swing Line Loans, the Borrower shall Cash Collateralize such excess in an amount equal to the greater of (x) the amount of Letter of Credit Obligations outstanding and (y) the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit.

(d) No Premium or Penalty. Prepayments permitted or required under this Section

1. shall be without premium or penalty, except as required under Section 5.02.

#### Section 3.04. Fees.

(a) Commitment Fees. Except as otherwise provided in Section 5.03(b), the Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee, which shall accrue at the applicable Commitment Fee Rate on the actual daily amount of the undrawn Commitment of such Revolving Credit Lender during the period from and including the date of this Agreement to but excluding the Termination Date (such fee, the "Commitment Fee"); provided, that for purposes of calculating the Commitment Fee owing to any Revolving Credit Lender, the undrawn Commitment of such Revolving Credit Lender shall not be reduced by the amount of such Lender's

52

Applicable Revolving Credit Percentage of any Swing Line Loan that is not a Refunded Swing Line Loan. Accrued Commitment Fees shall be payable in arrears on the last day of each March, June, September and December of each year (with respect to the preceding three months or portion thereof) and on the Termination Date (and, if applicable, thereafter on demand), commencing on the first such date to occur after the date hereof. If there is any change in the Commitment of any Revolving Credit Lender during any such three-month period, the actual daily amount of the Commitment shall be computed and multiplied by the Commitment Fee Rate separately for each period during such three-month period such Commitment was in effect. All Commitment Fees shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Administrative Agent Fees. The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times set forth in the Fee Letter.

(c) Arranger Fees. The Borrower agrees to pay to the Arrangers, for their own account, fees

payable in the amounts and at the times set forth in the Fee Letter or as otherwise agreed between the Borrower and the Arrangers.

**ARTICLE IV  
PAYMENTS; PRO RATA TREATMENT; SHARING OF SET-OFFS**

Section 4.01. Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Payment Procedure.

(i) All payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise provided herein, all payments made by the Borrower of principal, interest or fees hereunder shall be made without setoff or counterclaim on the date specified for payment under this Agreement and must be received by the Administrative Agent not later than 1:00 p.m. (New York time) on the date such payment is required or intended to be made in Dollars in immediately available funds to the Administrative Agent at the Administrative Agent's office located at 270 Park Avenue, New York, New York 10017, for the ratable benefit of the Revolving Credit Lenders in the case of payments in respect of the Revolving Credit Loans and any Letter of Credit Obligations. Any payment received by the Administrative Agent after 1:00 p.m. (New York time) shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. Upon receipt of each such payment, the Administrative Agent shall make prompt payment to each applicable Lender, or, in respect of Eurodollar Borrowing, such Lender's Eurodollar Lending Office, in like funds and currencies, of all amounts received by it for the account of such Lender.

(ii) Unless the Administrative Agent shall have been notified in writing by the Borrower at least two (2) Business Days prior to the date on which any payment to be made by the Borrower is due that the Borrower does not intend to remit such payment, the Administrative Agent may, in its sole discretion and without obligation to do so, assume that the Borrower has remitted such payment when so due and the Administrative Agent may, in reliance upon such assumption, make available to each Revolving Credit Lender, as the case may be, on such payment date an amount equal to such Lender's share of such assumed payment. If the Borrower has not in fact remitted such payment to the Administrative Agent, each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available or transferred to such Lender, together with the interest thereon, in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at a rate *per annum* equal to the NYFRB Rate for the first two (2) Business Days that such amount remains unpaid, and thereafter at a rate of interest then applicable to such Borrowings.

(iii) Subject to the definition of "Interest Period" in Section 1.02 of this Agreement, whenever any payment to be made hereunder shall otherwise be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest, if any, in connection with such payment.

(b) Application of Insufficient Payments. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, Reimbursement Obligations, interest and fees then due hereunder, such funds shall be applied first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and second, towards payment of principal and Reimbursement Obligations then due hereunder,



ratably among the parties entitled thereto in accordance with the amounts of principal and Reimbursement Obligations then due to such parties.

(c) Sharing of Payments by Lenders. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in Reimbursement Obligations or Swing Line Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in Reimbursement Obligations and Swing Line Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in Reimbursement Obligations and Swing Line Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in Reimbursement Obligations and Swing Line Loans; provided that if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and the provisions of this Section 4.01(c) shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in Reimbursement Obligations or Swing Line Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this Section 4.01(c) shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

Section 4.02. Deductions by the Administrative Agent; Defaulting Lender.

(a) Certain Deductions by the Administrative Agent. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(a), Section 2.07(f) or Section 4.02, then the Administrative Agent may, in its sole discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid or (ii) hold any such amounts in a segregated account as cash collateral for, and application to, any future funding obligations of such Lender hereunder, in the case of each of (i) and (ii) above, in any order as determined by the Administrative Agent in its discretion.

(b) Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(i) The obligation of any Lender to make any Loan hereunder shall not be affected by the failure of any other Lender to make any Loan under this Agreement, and no Lender shall have any liability to the Borrower or any of their Subsidiaries, the Administrative Agent, any other Lender, or any other Person for another Lender's failure to make any loan or Loan hereunder.

(ii) If any Lender shall become a Defaulting Lender, then such Defaulting Lender's right to participate in the administration of the loans, this Agreement and the other Loan Documents, including without limitation any right to vote in respect of any amendment, consent or waiver of the terms of this Agreement or such other Loan Documents, or to direct or approve any action or inaction by the Administrative Agent shall be suspended for the entire period that such Lender remains a Defaulting Lender and the stated commitment

amounts and outstanding Loans of such Defaulting Lender shall not be included in determining whether all Lenders, the Required Revolving Credit Lenders (or any class thereof) or the Majority Revolving Credit Lenders (or any class thereof), as the case may be, have taken or may take any action hereunder (including, without limitation, any action to approve any consent, waiver or amendment to this Agreement or the other Loan Documents); provided, however, that the foregoing shall not permit (A) an increase in such Defaulting Lender's stated commitment amounts, (B) the waiver, forgiveness or reduction of the principal amount of any Obligations outstanding to such Defaulting Lender (unless all other Lenders affected thereby are treated similarly), (C) the extension of the final maturity date(s) of such Defaulting Lenders' portion of any of the loans or other extensions of credit or other obligations of the Borrower owing to such Defaulting Lender, in each case without such Defaulting Lender's consent, (D) any other modification which under Section 12.02 requires the consent of all Lenders or Lender(s) affected thereby which affects the Defaulting Lender differently than the Non-Defaulting Lenders affected by such modification, other than a change to or waiver of the requirements of Section 4.01(b) which results in a reduction of the Defaulting Lender's commitment or its share of the Obligations on a non-pro-rata basis.

(iii) To the extent and for so long as a Lender remains a Defaulting Lender and notwithstanding the provisions of Section 4.01(b) hereof, the Administrative Agent shall be entitled, without limitation, (A) to withhold or setoff and to apply in satisfaction of those obligations for payment (and any related interest) in respect of which the Defaulting Lender shall be delinquent or otherwise in default to the Administrative Agent or any Lender (or to hold as cash collateral for such delinquent obligations or any future defaults) the amounts otherwise payable to such Defaulting Lender under this Agreement or any other Loan Document, (B) if the amount of Loans made by such Defaulting Lender is less than its Applicable Revolving Credit Percentage, as the case may be, requires, apply payments of principal made by the Borrower amongst the Non-Defaulting Lenders on a *pro rata* basis until all outstanding Loans are held by all Lenders according to their respective Applicable Revolving Credit Percentages, and (C) to bring an action or other proceeding, in law or equity, against such Defaulting Lender in a court of competent jurisdiction to recover the delinquent amounts, and any related interest. Performance by the Borrower of its obligations under this Agreement and the other Loan Documents shall not be excused or otherwise modified as a result of the operation of this Section, except to the extent expressly set forth herein and in any event the Borrower shall not be required to pay any Commitment Fee under Section 3.04(a) of this Agreement in respect of such Defaulting Lender's Unfunded Portion for the period during which such Lender is a Defaulting Lender. Furthermore, the rights and remedies of the Borrower, the Administrative Agent, the Issuing Bank, the Swing Line Lender and the other Lenders against a Defaulting Lender under this Section shall be in addition to any other rights and remedies such parties may have against the Defaulting Lender under this Agreement or any of the other Loan Documents, applicable law or otherwise, and the Borrower waive no rights or remedies against any Defaulting Lender.

Section 4.03. Disposition of Proceeds. The Security Instruments contain an assignment by the Borrower and/or the Guarantors unto and in favor of the Administrative Agent for the benefit of the Lenders of all of the Borrower's or each Guarantor's interest in and to production and all proceeds attributable thereto which may be produced from or allocated to the Mortgaged Property. The Security Instruments further provide in general for the application of such proceeds to the satisfaction of the Obligations and other obligations described therein and secured thereby. Notwithstanding the assignment contained in such Security Instruments, until the occurrence of an Event of Default, the Administrative Agent and the Lenders agree that they will neither notify the purchaser or purchasers of such production nor take any other action to cause such proceeds to be remitted to the Administrative Agent or the Lenders, but the Lenders will instead permit such proceeds to be paid to the Borrower and its Subsidiaries and the Lenders hereby authorize the Administrative Agent to take such actions as may be necessary to cause such proceeds to be paid to the Borrower and/or such Subsidiaries.

**ARTICLE V  
INCREASED COSTS; REIMBURSEMENT OF PREPAYMENT COSTS; TAXES; LIBO RATE  
AVAILABILITY**

Section 5.01. Increased Costs.

(a) Increased Costs. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank;

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, continuing, converting or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender, the Issuing Bank or such other Recipient hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender, the Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, the Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Adequacy and Other Increased Costs.

(i) If, after the Effective Date, the adoption or introduction of, or any change in any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to any Lender or the Administrative Agent, or any interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Lender or the Administrative Agent with any guideline, request or directive

56

of any such authority (whether or not having the force of law), including any risk based capital guidelines (each, a "Change in Law"), affects or would affect the amount of capital or liquidity required to be maintained by such Lender or the Administrative Agent (or any corporation controlling such Lender or the Administrative Agent) and such Lender or the Administrative Agent, as the case may be, determines that the amount of such capital or liquidity is increased by or based upon the existence of such Lender's or the Administrative Agent's obligations or Borrowings hereunder and such increase has the effect of reducing the rate of return on such Lender's or the Administrative Agent's (or such controlling corporation's) capital as a consequence of such obligations or

Borrowings hereunder to a level below that which such Lender or the Administrative Agent (or such controlling corporation) could have achieved but for such circumstances (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Lender or the Administrative Agent to be material (collectively, “Increased Costs”), then the Administrative Agent or such Lender shall notify the Borrower, and thereafter the Borrower shall pay to such Lender or the Administrative Agent, as the case may be, within ten (10) Business Days of written demand therefor from such Lender or the Administrative Agent, additional amounts sufficient to compensate such Lender or the Administrative Agent (or such controlling corporation) for any increase in the amount of capital or liquidity and reduced rate of return which such Lender or the Administrative Agent reasonably determines to be allocable to the existence of such Lender’s or the Administrative Agent’s obligations or Borrowings hereunder. A statement setting forth the amount of such compensation, the methodology for the calculation and the calculation thereof which shall also be prepared in good faith and in reasonable detail by such Lender or the Administrative Agent, as the case may be, shall be submitted by such Lender or by the Administrative Agent to the Borrower, reasonably promptly after becoming aware of any event described in this Section 5.01(b) and shall be conclusively presumed to be correct, absent manifest error. Notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law” regardless of the date enacted, adopted or issued.

(ii) Notwithstanding the foregoing, however, the Borrower shall not be required to pay any increased costs under Section 5.01(a), Section 5.01(b) or Section 2.07(d) for any period ending prior to the date that is 180 days prior to the making of a Lender’s initial request for such additional amounts unless the applicable Change in Law or other event resulting in such increased costs is effective retroactively to a date more than 180 days prior to the date of such request, in which case a Lender’s request for such additional amounts relating to the period more than 180 days prior to the making of the request must be given not more than 180 days after such Lender becomes aware of the applicable Change in Law or other event resulting in such increased costs.

Section 5.02. Reimbursement of Prepayment Costs. If (a) the Borrower makes any payment of principal with respect to any Eurodollar Borrowing or Quoted Rate Loan on any day other than the last day of the Interest Period applicable thereto (whether voluntarily, pursuant to any mandatory provisions hereof, by acceleration, or otherwise); (b) the Borrower converts or refunds (or attempts to convert or refund) any such Borrowing or Loan on any day other than the last day of the Interest Period applicable thereto (except as described in Section 2.08(e)); (c) the Borrower fails to borrow, refund or convert any Eurodollar Borrowing or Quoted Rate Loan after notice has been given by the Borrower to the Administrative Agent in accordance with the terms hereof requesting such Borrowing or Loan; or (d) if the Borrower fails to make any payment of principal in respect of a Eurodollar Borrowing or Quoted Rate Loan when due, the Borrower shall reimburse the Administrative Agent for itself and/or on behalf of any Lender, as the case may be, within ten (10) Business Days of written demand therefor for any resulting loss, cost or expense incurred (excluding the loss of any Applicable Margin) by the Administrative Agent and Lenders, as the case may be, as a result thereof, including, without limitation, any such loss, cost or expense incurred in obtaining,

liquidating, employing or redeploying deposits from third parties, whether or not the Administrative Agent and Lenders, as the case may be, shall have funded or committed to fund such Borrowing or Loan. The amount payable hereunder by the Borrower to the Administrative Agent for itself and/or on behalf of any Lender, as the case may

be, shall be deemed to equal an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, refunded or converted, for the period from the date of such prepayment or of such failure to borrow, refund or convert, through the last day of the relevant Interest Period, at the applicable rate of interest for said Borrowing(s) or Loans(s) provided under this Agreement, over (ii) the amount of interest (as reasonably determined by the Administrative Agent and the Lenders, as the case may be) which would have accrued to the Administrative Agent and the Lenders, as the case may be, on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurocurrency market. Calculation of any amounts payable to any Lender under this paragraph shall be made as though such Lender shall have actually funded or committed to fund the relevant Borrowing or Loan through the purchase of an underlying deposit in an amount equal to the amount of such Borrowing or Loan and having a maturity comparable to the relevant Interest Period; provided, however, that any Lender may fund any Eurodollar Borrowing or Quoted Rate Loan, as the case may be, in any manner it deems fit and the foregoing assumptions shall be utilized only for the purpose of the calculation of amounts payable under this paragraph.

The Administrative Agent and the Lenders shall deliver to the Borrower a certificate setting forth the basis for determining such losses, costs and expenses, which certificate shall be conclusively presumed correct, absent manifest error.

Section 5.03. Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Credit Parties under any Loan Document shall be made free and clear of and without deduction for any Taxes; provided that if any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Taxes from any such payments by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax or Other Tax, the sum payable by the Credit Parties shall be increased as necessary so that after making all required deductions and withholdings (including deductions and withholdings of Indemnified Taxes applicable to additional sums payable under this Section 5.03(a)), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions or withholdings been made.

(b) Payment of Other Taxes by the Borrower. The Credit Parties shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law, or, at the option of the Administrative Agent, timely reimburse it for the payment of, any Other Taxes.

(c) Indemnification by the Borrower and Lenders.

(i) The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, as applicable, within 10 Business Days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes payable or paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, or required to be withheld or deducted from a payment to such recipient on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5.03) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate of the Administrative Agent, a Lender or the Issuing Bank as to the amount of such payment or liability under this Section 5.03 shall be delivered to the Borrower by a Lender

(with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, and shall be conclusive absent manifest error.

(ii) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (A) any Indemnified Taxes attributable to such Lender (but only to the extent that any Credit Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Credit Parties to do so), (B) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.04(b)(viii) relating to the maintenance of a Participant Register and (C) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this Section 5.03(c)(ii).

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by the Credit Parties to a Governmental Authority pursuant to this Section 5.03, such Credit Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document shall deliver to the Withholding Agent, at the time or times reasonably requested by the Withholding Agent, such properly completed and executed documentation reasonably requested by the Withholding Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender shall deliver such other documentation prescribed by applicable law or reasonably requested by the Withholding Agent as will enable the Withholding Agent to determine whether or not such Lender 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 5.03(e)(ii)(A) and Section 5.03(e)(ii)(B) and Section 5.03(f) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the applicable Withholding Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Withholding Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the applicable Withholding Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter

upon the reasonable request of the Withholding Agent), whichever of the following is applicable:

(I) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding tax pursuant to the “business profits” or “other income” article of such tax treaty;

(II) executed copies of IRS Form W-8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit J-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Code, a “10 percent shareholder” of the Borrower within the meaning of Section 871(c)(3)(B) of the Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Code (a “U.S. Tax Compliance Certificate”) and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(IV) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-2 or Exhibit J-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-4 on behalf of each such direct and indirect partner; and

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Withholding Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Withholding Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Withholding Agent to determine the withholding or deduction required to be made.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Withholding Agent in writing of its legal inability to do so.

(f) FATCA.

(i) If a payment made to a Lender under this Agreement would be subject to United States federal withholding tax imposed by FATCA if such Lender fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested

by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 5.03(f)(i), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(ii) For purposes of determining withholding Taxes imposed under FATCA, from and after the Effective Date, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) this Agreement as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

(g) Treatment of Certain Refunds. If the Administrative Agent, a Lender or the Issuing Bank determines, in its sole discretion exercised in good faith, that it has received a refund of any Indemnified Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 5.03, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 5.03 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of the Administrative Agent, such Lender or the Issuing Bank, as the case may be, 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 (g) (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 (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g), 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 Administrative Agent, Lender, or Issuing Bank to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to such Borrower or other indemnifying party or any other Person.

Section 5.04. Mitigation Obligations; Designation of Different Lending Office. If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, then such Lender shall (at the request of the Borrower) use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 5.01 or Section 5.03, as the case may be, in the future and would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

Section 5.05. Replacement of Lenders. If (a) any Lender requests compensation under Section 5.01, (b) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 5.04 or (c) any Lender is a Defaulting Lender (or would constitute a Defaulting Lender under clause (a) of the definition thereof but for such Lender's good faith determination that one or more conditions precedent to funding has not been satisfied and the Borrower disputes such determination), (d) any Lender fails to provide its consent to increase or maintain the Borrowing Base pursuant to Section 2.06(c)



(iii) and the Required Revolving Credit Lenders have provided their consent to increase or maintain the Borrowing Base pursuant to Section 2.06(c)(iii), or (e) in addition to the foregoing, in connection with any consent to or approval of any proposed amendment, waiver, consent or release with respect to any Loan Document (other than an increase in the Borrowing Base) that requires the consent of each Lender or the consent of each Lender affected thereby, the consent of the Required Revolving Credit Lenders shall have been obtained but any Revolving Credit Lender has not so consented to or approved such proposed amendment, waiver, consent or release, then the Borrower may, at its sole expense and effort, upon notice to such Revolving Credit Lender and the Administrative Agent (and, in the case of clause (d) above, within thirty (30) days of the effectiveness of the redetermination of the Borrowing Base pursuant to Section 2.06(d)), require, in the case of clauses (a) through (c) above, such Lender (and, in the case of clause (d) above, within thirty (30) days of the effectiveness of the redetermination of the Borrowing Base pursuant to Section 2.06(d)) to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 12.04(a)), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent and the Issuing Bank, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Reimbursement Obligations and Swing Line Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 5.01 or payments required to be made pursuant to Section 5.03, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply. Notwithstanding the foregoing, a Lender (other than a Defaulting Lender) shall not be required to make any such assignment and delegation if such Lender (or its Affiliate) is a Secured Swap Party with any outstanding Secured Swap Agreement, unless on or prior thereto, (i) all such Swap Agreements have been terminated or novated to another Person and such Lender (or its Affiliate) shall have received payment of all amounts, if any, payable to it in connection with such termination or novation, or (ii) other arrangements satisfactory to such Secured Swap Party have been made with respect to any Obligations arising under such Swap Agreements.

Section 5.06. Circumstances Affecting LIBO Rate Availability. If the Administrative Agent or the Majority Revolving Credit Lenders (after consultation with the Administrative Agent) shall determine in good faith that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in Eurodollars in the applicable amounts are not being offered to the Administrative Agent or such Lenders at the applicable LIBO Rate, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until Administrative Agent notifies Borrower that such circumstances no longer exist, (i) the obligation of the Lenders to make Loans which bear interest at or by reference to the LIBO Rate, and the right of the Borrower to convert a Borrowing to or refund an Borrowing as a Borrowing which bear interest at or by reference to the LIBO Rate shall be suspended, (ii) effective upon the last day of each Interest Period related to any existing Eurodollar Borrowing, each such Eurodollar Borrowing shall automatically be converted into a Borrowing which bears interest at or by reference to the Alternate Base Rate (without regard to the satisfaction of any conditions to conversion contained elsewhere herein), and (iii) effective immediately following such notice, each Borrowing which bears interest at or by reference to the Adjusted LIBO Rate shall automatically be converted into Borrowing which bears interest at or by reference to the Alternate Base Rate without regard to the reference in the definition thereof to the Adjusted LIBO Rate (and without regard to the satisfaction of any conditions to conversion contained elsewhere herein).

Section 5.07. Laws Affecting LIBO Rate Availability. If, after the date of this Agreement, the adoption or introduction of, or any change in, any applicable law, rule or regulation or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Eurodollar Lending Offices) with any request or directive (whether or not having the force of law) of any such authority, shall make it unlawful or impossible for any of the Lenders (or any of their respective Eurodollar Lending Offices) to honor its obligations hereunder to make or maintain any Loan which bears interest at or by reference to the LIBO Rate, such Lender shall forthwith give notice thereof to the Borrower and to the Administrative Agent. Thereafter, (a) the obligations of the applicable Lenders to make Loans which bear interest at or by reference to the LIBO Rate and the right of the Borrower to convert Borrowing into or refund a Borrowing as a Borrowing which bears interest at or by reference to the LIBO Rate shall be suspended and thereafter only the Alternate Base Rate shall be available, and (b) if any of the Lenders may not lawfully continue to maintain a Borrowing which bears interest at or by reference to the LIBO Rate, the applicable Borrowing shall immediately be converted to a Borrowing which bears interest at or by reference to the Alternate Base Rate. For purposes of this Section 5.07, a Change in Law or any change in rule, regulation, interpretation or administration shall include, without limitation, any change made or which becomes effective on the basis of a law, rule, regulation, interpretation or administration presently in force, the effective date of which change is delayed by the terms of such law, rule, regulation, interpretation or administration.

Section 5.08. Eurodollar Lending Office. For any Eurodollar Loan, if the Administrative Agent or a Lender, as applicable, shall designate a Eurodollar Lending Office which maintains books separate from those of the rest of the Administrative Agent or such Lender, the Administrative Agent or such Lender, as the case may be, shall have the option of maintaining and carrying the relevant Loan on the books of such Eurodollar Lending Office.

Section 5.09. Right of Lenders to Fund through Branches and Affiliates. Each Lender (including without limitation the Swing Line Lender) may, if it so elects, fulfill its commitment as to any Borrowing hereunder by designating a branch or Affiliate of such Lender to make such Borrowing; provided that (a) such Lender shall remain solely responsible for the performances of its obligations hereunder and (b) no such designation shall result in any increased costs to Borrower.

## ARTICLE VI CONDITIONS PRECEDENT

Section 6.01. Effectiveness. The Existing Credit Agreement shall be amended and restated in its entirety as set forth herein and this Agreement shall become effective on the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02):

(a) The Administrative Agent, the Arrangers and the Lenders shall have received all commitment and agency fees and all other fees and amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder (including, to the extent invoiced prior to the Effective Date, the fees and expenses of Bracewell LLP, counsel to the Administrative Agent).

(b) The Administrative Agent shall have received a certificate of the Secretary, Assistant Secretary or a Responsible Officer of the Credit Parties each setting forth resolutions of the members, board of directors or other appropriate governing body with respect to the authorization of the Credit Parties to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, the officers of the Credit Parties who are authorized to sign the Loan Documents to which the Credit Parties is a party and who will, until replaced by another officer or officers duly authorized for that purpose, act as its

representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, specimen signatures of such authorized officers, and the limited liability company agreement, the articles or certificate of incorporation and bylaws or other applicable organizational documents of the Credit Parties, certified as being true and complete. The Administrative Agent and the Lenders may conclusively rely on such certificate until the Administrative Agent receives notice in writing from the Credit Parties to the contrary.

(c) The Administrative Agent shall have received certificates of the appropriate State agencies with respect to the existence, qualification and good standing of the Credit Parties.

(d) [Reserved].

(e) The Administrative Agent shall have received from each party hereto counterparts (in such number as may be requested by the Administrative Agent) of this Agreement signed on behalf of such party.

(f) The Administrative Agent shall have received duly executed Revolving Credit Notes payable to each Revolving Credit Lender requesting a Revolving Credit Note in a principal amount equal to its Maximum Credit Amount dated as of the date hereof.

(g) The Administrative Agent shall have received from each party thereto duly executed counterparts (in such number as may be requested by the Administrative Agent) of each Security Instrument described on Exhibit D (other than any mortgages, deeds of trust or Control Agreement described thereon).

(h) The Administrative Agent shall have received an opinion of Haynes and Boone, LLP, special counsel to the Credit Parties in form and substance reasonably satisfactory to the Administrative Agent.

(i) The Administrative Agent shall have received a certificate of insurance coverage of the Credit Parties evidencing that the Credit Parties are carrying insurance in accordance with Section 7.12.

(j) [Reserved].

(k) The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Credit Parties.

(l) The Administrative Agent shall have received a certificate of a Responsible Officer of the Credit Parties certifying that the Credit Parties have received all consents and approvals required by Section 7.03.

(m) The Administrative Agent shall have received appropriate UCC and other lien search certificates reflecting no prior Liens encumbering the Properties of the Credit Parties for the State of Delaware and any other jurisdiction requested by the Administrative Agent; other than those being assigned or released on or prior to the Effective Date or Permitted Liens.

(n) The Administrative Agent shall have received the Initial Reserve Report accompanied by a certificate covering the matters described in Section 8.12(c).

(o) The Administrative Agent and the Lenders shall have received, and be reasonably satisfied in form and substance with, all documentation and other information required by bank regulatory authorities under applicable “know-your-customer” and anti-money laundering rules and regulations, including but not

restricted to the USA PATRIOT Act.

(p) No material litigation, arbitration or similar proceeding shall be pending or threatened which calls into question the validity or enforceability of this Agreement, the other Loan Documents or the Transactions.

(q) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower dated the Effective Date, stating that to the best of his or her respective knowledge, (i) the conditions set forth in this Article VI have been satisfied to the extent required to be satisfied by the Borrower or the other Credit Parties and assuming that the Administrative Agent and the Lenders are satisfied with any items that are subject to their satisfaction; (ii) the representations and warranties made by the Credit Parties in this Agreement or any of the other Loan Documents, as applicable, are true and correct in all material respects (unless already qualified by materiality in which case such applicable representation and warranty shall be true and correct); (iii) no Default or Event of Default shall have occurred and be continuing; (iv) since December 31, 2016, nothing has occurred which has had, or would reasonably be expected to have, a Material Adverse Effect; (v) there shall have been no material adverse change to the financial statements referred to in Section 7.04(a); and (vi) as of the Effective Date, after giving effect to the extensions of credit on the Effective Date, the representations contained in Section 7.22 with respect to the Credit Parties are true and correct.

(r) The Administrative Agent shall have received such other documents as the Administrative Agent or special counsel to the Administrative Agent may reasonably request.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

Section 6.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (including the initial funding, but excluding a Revolving Credit Borrowing to continue or convert any outstanding Revolving Credit Borrowing), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit (but excluding any automatic renewal or extension of any Letter of Credit, or amendment the sole purpose of which is to extend or renew any Letter of Credit), is subject to the satisfaction of the following conditions:

(a) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(b) The representations and warranties of the Credit Parties set forth in this Agreement and in the other Loan Documents shall be true and correct in all material respects (unless already qualified by materiality in which case such applicable representation and warranty shall be true and correct) on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent any such representations and warranties are expressly limited

to an earlier date, in which case, on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, such representations and warranties shall continue to be true and correct in all material respects (unless already qualified by materiality in which case such applicable representation and warranty shall be true and correct) as of such specified earlier date.

(c) The making of such Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, would not conflict with, or cause any Lender or the Issuing Bank to violate or exceed,

any applicable Governmental Requirement.

(d) The receipt by the Administrative Agent of a Revolving Credit Borrowing Request in accordance with Section 2.03 or a request for a Letter of Credit in accordance with Section 2.07(b), as applicable.

Each request for a Borrowing and each request for the issuance, amendment, renewal or extension of any Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in Section 6.02(a) through Section 6.02(c).

Section 6.03. Additional Conditions to Credit Events. In addition to the conditions precedent set forth in Section 6.02, so long as any Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the Letter of Credit Obligations will be 100% covered by the Commitments of the Non-Defaulting Lenders and/or the Borrower will Cash Collateralize the Letter of Credit Obligations in accordance with Section 2.07(b)(vii) and Section 2.07(f)(ix).

## ARTICLE VII REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

Section 7.01. Organization; Powers. Each of the Credit Parties is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority, and has all material governmental licenses, authorizations, consents and approvals necessary, to own its assets and to carry on its business as now conducted, and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where failure to have such licenses, authorizations, consents, approvals and qualifications could not reasonably be expected to have a Material Adverse Effect.

Section 7.02. Authority; Enforceability. The Transactions are within each Credit Party's corporate, limited liability company, or partnership powers and have been duly authorized by all necessary corporate, limited liability company or partnership action and, if required, action by any holders of its Equity Interests (including, without limitation, any action required to be taken by any class of directors, managers or supervisors, whether interested or disinterested, as applicable, of the Credit Parties or any other Person, in order to ensure the due authorization of the Transactions). Each Loan Document to which a Credit Party is a party has been duly executed and delivered by such Credit Party and constitutes a legal, valid and binding obligation of such Credit Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 7.03. Approvals; No Conflicts. The Transactions do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other third Person (including holders of its Equity Interests or any class of directors, managers or supervisors, as applicable, whether interested or disinterested, of the Credit Parties or any other Person), nor is any such consent, approval, registration, filing or other action necessary for the validity or enforceability of any Loan Document or the consummation of the Transactions, except such as have been obtained or made and are in full force and effect other than the recording and filing of the Security Instruments as required by this Agreement; and those third party approvals or consents which, if not made or obtained, would not cause a Default hereunder or could not reasonably be expected to have a Material Adverse Effect. The Transactions do not contravene (a) any Credit Party's certificate or articles of incorporation or formation, limited partnership agreement, bylaws, limited liability company agreement, or other

similar governance documents or (b) any law or any contractual restriction binding on or affecting any Credit Party. At the time of each Borrowing and the issuance, extension or increase of each Letter of Credit, such Borrower and such Letter of Credit, and the use of the proceeds of such Borrower and such Letter of Credit, will not contravene (a) the Borrower's certificate of incorporation, bylaws or other organizational documents or (b) any law or any contractual restriction binding on or affecting the Borrower.

Section 7.04. Financial Condition; No Material Adverse Change.

(a) The Credit Parties have heretofore furnished to the Lenders the audited consolidated balance sheets of the Borrower and its consolidated Subsidiaries as of and for the fiscal year ending December 31, 2016 and the related audited consolidated statements of income, cash flow, and retained earnings of the Borrower and its consolidated Subsidiaries. The financial statements described above present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP. The financial statements described above have been prepared in good faith based upon reasonable assumptions.

(b) Since December 31, 2016, no event, development or circumstance that could reasonably be expected to cause a Material Adverse Effect has occurred.

(c) Except as listed on Schedule 7.04(c), no Credit Party has on the date hereof after giving effect to the Transactions, any Debt (including Disqualified Capital Stock) or any material off- balance sheet liabilities or partnership liabilities, material liabilities for past due taxes, or any unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the Financial Statements, and the other written information provided by the Borrower to Administrative Agent and the Lenders prior to the date hereof.

Section 7.05. Litigation. Except as set forth on Schedule 7.05, there are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting any Credit Party not fully covered by insurance (except for normal deductibles) as to which there is a reasonable probability of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, that involve any Loan Document or the Transactions.

Section 7.06. Environmental Matters. Except for such matters as set forth on Schedule 7.06 or that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) the Credit Parties, their respective Subsidiaries and each of their respective Properties and operations thereon are, and within all applicable statute of limitation periods have been, in compliance with all applicable Environmental Laws;

(b) the Credit Parties and their respective Subsidiaries have obtained all Environmental Permits required for their respective operations and each of their Properties, with all such Environmental Permits being currently in full force and effect, and the Credit Parties and their respective Subsidiaries have at all times been and are in compliance with the terms and conditions of such Permits and with all other requirements of applicable Environmental Laws, and none of the Credit Parties or their respective Subsidiaries has received any written notice or otherwise has knowledge that any such existing Environmental Permit will be revoked or that any application for any new Environmental Permit or renewal of any existing Environmental Permit will be denied;

(c) there are no claims, demands, suits, orders, inquiries, or proceedings concerning any violation of, or any liability (including as a potentially responsible party) under, any applicable Environmental Laws that is pending or, to Borrower's knowledge, threatened against any Credit Party, their respective Subsidiaries or any of their respective Properties or as a result of any operations at such Properties;

(d) none of the Properties of the Credit Parties or their respective Subsidiaries contain or have contained any: underground storage tanks; asbestos-containing materials; landfills or dumps; hazardous waste management units as defined pursuant to RCRA or any comparable state law; or sites on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law;

(e) there has been no Release or, to the Borrower's knowledge, threatened Release, of Hazardous Materials at, on, under or from any of the Credit Parties' or their respective Subsidiaries' Properties, there are no investigations, remediations, abatements, removals, or monitorings of Hazardous Materials required under applicable Environmental Laws at such Properties and, to the knowledge of the Borrower, none of such Properties are adversely affected by any Release or threatened Release of a Hazardous Material originating or emanating from any other real property;

(f) no Credit Party or its respective Subsidiaries has received any written notice asserting an alleged liability or obligation under any applicable Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials at, under, or Released or threatened to be Released from any real properties offsite the Credit Parties' or any of their respective Subsidiaries' Properties and, to the Borrower's knowledge, there are no conditions or circumstances that could reasonably be expected to result in the receipt of such written notice;

(g) there has been no exposure of any Person or Property to any Hazardous Materials as a result of or in connection with the operations and businesses of any of the Credit Parties' or any of their respective Subsidiaries' Properties that could reasonably be expected to form the basis for a claim for damages or compensation; and

(h) the Borrower has made available to the Administrative Agent complete and correct copies of all environmental site assessment reports, and studies on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in the Borrower's possession or control and relating to any of the Credit Parties' or any of their respective Subsidiaries' Properties or operations thereon.

Section 7.07. Compliance with the Laws and Agreements; No Defaults

(a) Each of the Credit Parties is in compliance with all Governmental Requirements applicable to it or its Property and all agreements and other instruments binding upon it or its Property, and possesses all licenses, permits, franchises, exemptions, approvals and other governmental authorizations necessary for the ownership of its Property and the conduct of its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) No Credit Party is in default and no event or circumstance has occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default or would require any Credit Party to Redeem or make any offer to Redeem under any indenture, note, credit agreement or instrument pursuant to which any Material Indebtedness is outstanding or by which any Credit Party or any of

their Properties is bound.

- (c) No Default has occurred and is continuing.

Section 7.08. Investment Company Act. No Credit Party is an “investment company” or a company “controlled” by an “investment company,” within the meaning of, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 7.09. Taxes. Each Credit Party has timely filed or caused to be filed all federal income Tax returns and reports, and all other material Tax returns and reports, required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which such Credit Party has set aside on its books adequate reserves in accordance with GAAP or to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect; such returns are complete and correct in all material respects. The charges, accruals and reserves on the books of the Credit Parties in respect of Taxes and other governmental charges are, adequate in the aggregate for the payment of all unpaid Taxes, whether or not disputed, for the period ended as of the date thereof and for any period prior thereto, and for which the Credit Party may be liable in its own right, as withholding agent or as a transferee of the assets of, or successor to, any Person, except for such Taxes or reserves thereof, the failure to pay or provide for which does not and could not reasonably be expected to have a Material Adverse Effect. No Tax Lien has been filed and, to the knowledge of the Borrower, no claim is being asserted with respect to any such delinquent Tax or other such governmental charge, except in connection with Taxes or other governmental charges that are being contested in good faith by appropriate proceedings and for which such Credit Party has set aside on its books adequate reserves in accordance with GAAP.

Section 7.10. ERISA.

- (a) The Credit Parties and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.
- (b) Each Plan is, and has been, established and maintained in substantial compliance with its terms, ERISA and, where applicable, the Code.
- (c) No Termination Event has occurred or is reasonably expected to occur.
- (d) Except as could not reasonably be expected to result in liability in excess of \$10,000,000, no act, omission or transaction has occurred which could result in imposition on the Borrower, any other Credit Party or any ERISA Affiliate (whether directly or indirectly) of either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or breach of fiduciary duty liability damages under section 409 of ERISA.
- (e) Full payment when due has been made of all amounts which the Credit Parties or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof.
- (f) No Credit Party and no ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, with respect to which its sponsorship of, maintenance of or contribution to may not be terminated by the applicable Credit Party or any ERISA Affiliate in its sole discretion at any time without any liability other than for benefits due as of, or claims incurred prior to, the effective



date of such termination.

(g) The present value of all benefits vested under each Plan (based on the assumptions used to fund such Plan) did not, as of the last annual valuation date applicable thereto, exceed the value of the assets of such Plan allocable to such vested benefits by an amount which could reasonably be expected to have a Material Adverse Effect.

(h) Neither the Borrower nor any Guarantor has had a complete or partial withdrawal from any Multiemployer Plan for which there is any withdrawal liability that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(i) Based upon GAAP existing as of the date of this Agreement and current factual circumstances, the Borrower has no reason to believe that the annual cost during the term of this Agreement to the Borrower or any Guarantor for post-retirement benefits to be provided to the current and former employees of the Borrower or any member of the Guarantors under Plans that are welfare benefit plans (as defined in Section 3(1) of ERISA) could, in the aggregate, reasonably be expected to cause a Material Adverse Effect.

Section 7.11. Disclosure; No Material Misstatements. The certificates, written statements and reports, and other written information, taken as a whole, furnished by or on behalf of the Credit Parties to the Administrative Agent and the Lenders in connection with the negotiation of any Loan Document or included therein or delivered pursuant thereto, do not contain any material misstatement of fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were or are made, not misleading as of the date such information is dated or certified; provided that (a) to the extent any such certificate, statement, report, or information was based upon or constitutes a forecast or projection, each Credit Party represents only that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such certificate, statement, report, or information (it being recognized by the Lenders, however, that projections as to future events are not to be viewed as facts and that results during the period(s) covered by such projections may differ from the projected results and that such differences may be material and that the Credit Parties make no representation that such projections will be realized) and (b) as to statements, information and reports supplied by third parties after the Effective Date, Borrower represents only that it is not aware of any material misstatement or omission therein. There are no statements or conclusions in any Reserve Report which are based upon or include material misleading information or fail to take into account material information regarding the matters reported therein, it being understood that projections concerning volumes attributable to the Oil and Gas Properties of the Credit Parties and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and that the Credit Parties do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

Section 7.12. Insurance. The Borrower has, and has caused all of its other Credit Parties to have, all insurance policies sufficient for the compliance by each of them with all material Governmental Requirements and all material agreements and insurance coverage in at least amounts and against such risk

(including, without limitation, public liability) that are usually insured against by companies similarly situated and engaged in the same or a similar business for the assets and operations of the Credit Parties. The Administrative Agent and the Lenders have been named as additional insureds in respect of such liability insurance policies and the Administrative Agent has been named as loss payee with respect to Property loss insurance.

Section 7.13. Restriction on Liens. No Credit Party is a party to any material agreement or arrangement, or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant

Liens to the Administrative Agent and the Lenders on or in respect of their Properties to secure the Debt and the Loan Documents, or restricts any Credit Party from paying dividends or making any other distributions in respect of its Equity Interests to any other Credit Party, or restricts any Credit Party from making loans or advances to any other Credit Party, or which requires the consent of other Persons in connection therewith, except, in each case, for such encumbrances or restrictions permitted under Section 9.14.

Section 7.14. Subsidiaries. Except as set forth on Schedule 7.14 or as disclosed in writing to the Administrative Agent (which shall promptly furnish a copy to the Lenders), which shall be a supplement to Schedule 7.14, the Borrower has no Restricted Subsidiaries. The Borrower has no Foreign Subsidiaries.

Section 7.15. Location of Business and Offices. The correct legal name, business address, type of organization and jurisdiction of organization, tax identification number and other relevant identification numbers of the Credit Parties are set forth on Schedule 1.3 hereto (or, in each case, as set forth in a notice delivered to the Administrative Agent pursuant to Section 9.06 in accordance with Section 12.01).

Section 7.16. Properties; Titles, Etc.

(a) Each of the Credit Parties has good and defensible title to their respective Oil and Gas Properties evaluated in the most recently delivered Reserve Report (other than those disposed of in compliance with Section 9.11) and good title to all its material personal Properties, in each case, free and clear of all Liens except Permitted Liens. The Credit Parties own the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and the ownership of such Properties shall not in any material respect obligate the Credit Parties to bear the costs and expenses relating to the maintenance, development and operations of each such Property in an amount in excess of the working interest of each Property set forth in the most recently delivered Reserve Report that is not offset by a corresponding proportionate increase in the Credit Parties' net revenue interest in such Property.

(b) All leases and agreements necessary for the conduct of the business of the Credit Parties are valid and subsisting, 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 leases, which could reasonably be expected to have a Material Adverse Effect.

(c) The rights and Properties presently owned, leased or licensed by the Credit Parties including, without limitation, all easements and rights of way, include all rights and Properties necessary to permit the Credit Parties to conduct their business in all material respects in the same manner as their business has been conducted prior to the date hereof.

(d) All of the Oil and Gas Properties of the Credit Parties and all other material Property of the Credit Parties, in each case, which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards by companies engaged in the same or similar businesses operating in the same or similar location.

71

(e) Each Credit Party owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual Property material to its business, and the use thereof by the Credit Parties does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate,

could not reasonably be expected to result in a Material Adverse Effect. In all material respects, the Credit Parties either own or have valid licenses or other rights to use all databases, geological data, geophysical data, engineering data, seismic data, maps, interpretations and other technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use of the same.

Section 7.17. Maintenance of Properties. The Oil and Gas Properties (and Properties unitized therewith) of Credit Parties have in all material respects, been maintained, operated and developed in a good and workmanlike manner and in conformity with all Governmental Requirements and in conformity with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Credit Parties. Since the date of the Financial Statements, neither the business nor any Property of any Credit Party has been adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, Permits, or concessions by a Governmental Authority, riot, activities of armed forces, or acts of God or of any public enemy, except to the extent such adverse event could not reasonably be expected to cause a Material Adverse Effect.

Section 7.18. Gas Imbalances, Prepayments. On a net basis there are no gas imbalances, take or pay or other prepayments which would require the Credit Parties to deliver Hydrocarbons produced from their Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding five percent (5%) of the annual production of gas of the Credit Parties for the most recent calendar year (on a mcf basis) in the aggregate.

Section 7.19. Marketing of Production. Except for contracts listed and in effect on the date hereof on Schedule 7.19, and thereafter either disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report, no material agreements exist which are not cancelable on 90 days' notice or less without penalty or detriment for the sale of production from the Credit Parties' Hydrocarbons (including, without limitation, calls on or other rights to purchase, production, whether or not the same are currently being exercised) that pertain to the sale of production at a fixed price and have a maturity or expiry date of longer than six (6) months from the date hereof.

Section 7.20. Swap Agreements. Schedule 7.20, as of the date hereof, and after the date hereof, each report required to be delivered by the Borrower pursuant to Section 8.01(e), as of the date of (or as of the date(s) otherwise set forth in) such report, sets forth, a true and complete list of all Swap Agreements of the Credit Parties, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied) and the counterparty to each such agreement.

Section 7.21. Use of Loans and Letters of Credit. The proceeds of the Loans and the Letters of Credit shall be used for working capital, for lease acquisitions, for exploration and production operations, for development (including the drilling and completion of producing wells), for the payment of fees and expenses incurred in connection with this Agreement and for any other general business purposes. The Credit Parties are not engaged principally, or as one of its or their important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board). No part of the proceeds of any Loan or Letter of Credit will be used for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.22. Solvency. After giving effect to the transactions contemplated hereby, the aggregate assets (after giving effect to amounts that could reasonably be expected to be received by reason of indemnity, offset,

insurance or any similar arrangement), at a fair valuation, of the Credit Parties, taken as a whole, exceed the aggregate Debt of the Credit Parties on a consolidated basis, the Credit Parties, taken as a whole, have not incurred and do not intend to incur, and do not believe that they have incurred, Debt beyond their ability to pay such Debt (after taking into account the timing and amounts of cash they reasonably expect could be received and the amounts that they reasonably expect could be payable on or in respect of their liabilities, and giving effect to amounts that could reasonably be expected to be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures and the Credit Parties, taken as a whole, do not have (and do not have reason to believe that they will have thereafter) unreasonably small capital for the conduct of their business.

Section 7.23. Anti-Corruption Laws and Sanctions. Each Credit Party has implemented and maintains in effect policies and procedures designed to ensure compliance by such Credit Party, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Credit Parties and their respective officers and directors and to the knowledge of each Credit Party its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) the Credit Parties or any of their respective directors, officers or employees, or (b) to the knowledge of the Credit Parties, any agent of the Credit Parties or any of their respective Subsidiaries that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds or other transaction contemplated by the Credit Agreement will violate Anti-Corruption Laws or applicable Sanctions.

Section 7.24. EEA Financial Institutions. No Credit Party is an EEA Financial Institution.

Section 7.25. Security Instruments. The Security Instruments are effective to create in favor of the Administrative Agent, for the benefit of the Revolving Credit Lenders, a legal, valid and enforceable security interest in the Mortgaged Property and Collateral and proceeds thereof, as applicable, subject, in the case of enforceability, to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and fair dealing. The Obligations are secured by legal, valid and enforceable first priority perfected Liens in favor of the Administrative Agent, covering and encumbering (a) the Mortgaged Property and (b) the Collateral granted pursuant to the Security Agreement, including the pledged Equity Interests and the Deposit Accounts and Securities Accounts, in each case to the extent perfection has occurred, as the case may be, by the recording of a mortgage, the filing of a UCC financing statement, or, in the case of Deposit Accounts and Securities Accounts, by obtaining of "control" or, with respect to Equity Interests represented by certificates, by possession (in each case, to the extent applicable in the applicable jurisdiction); provided that Liens permitted by Section 9.03 may exist.

## ARTICLE VIII AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit shall have expired or terminated and all Reimbursement Obligations shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 8.01. Financial Statements; Ratings Change; Other Information. The Borrower will furnish to the Administrative Agent for delivery to each Lender:

(a) Annual Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 120 days after the end of each fiscal year of the Borrower commencing with

the fiscal year ending December 31, 2017, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing reasonably acceptable to the Administrative Agent (without a "going concern" or like qualification or exception (other than a "going concern" or like qualification or exception that is solely as a result of the Loans maturing within the next 365 days) and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied.

(b) Quarterly Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower commencing with the fiscal quarter ending June 30, 2017, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

(c) Certificate of Financial Officer - Compliance. Concurrently with any delivery of financial statements under Section 8.01(a) or Section 8.01(b), a compliance certificate of a Financial Officer of the Borrower in substantially the form of Exhibit C hereto certifying as to whether a Default then exists and, if a Default then exists, specifying the details thereof and any action taken or proposed to be taken with respect thereto, setting forth reasonably detailed calculations demonstrating compliance with Section 9.01, and stating whether any change in the application of GAAP to the Borrower's financial statements has been made since the preparation of the Borrower's audited annual financial statements most recently delivered under Section 8.01(a) (or, if no such audited financial statements have yet been delivered, since the preparation of the Financial Statements) and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

(d) Certificate of Financial Officer - Annual Budget. As soon as available, but in any event not later than 60 days after the end of each fiscal year of the Borrower commencing with the fiscal year ending December 31, 2017, a certificate of a Financial Officer of the Borrower, in form and substance satisfactory to the Administrative Agent, detailing on a quarterly basis for such fiscal year (i) the projected production of Hydrocarbons by the Credit Parties and the assumptions used in calculating such projections,

(i) a consolidated operating budget and capital expenditures forecast for the Credit Parties, with a breakdown of those capital expenditures to be used for the development of proved undeveloped reserves in the Oil and Gas Properties of the Credit Parties and the assumptions used in calculating such projections and (iii) such other information as may be reasonably requested by the Administrative Agent.

(e) Certificate of Financial Officer - Swap Agreements. Concurrently with any delivery of each Reserve Report under Section 8.12(a), a certificate of a Financial Officer of the Borrower, in form and substance satisfactory to the Administrative Agent, setting forth as of a recent date, a true and complete list of all Swap Agreements of the Credit Parties, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark-to-market value

therefor, any new credit support agreements relating thereto not listed on Schedule 7.20, any margin required or supplied under any credit support document, and the counterparty to each such agreement.

(f) Certificate of Insurer - Insurance Coverage. Concurrently with any delivery of financial statements under Section 8.01(a), one or more certificates of insurance coverage from the Credit Parties' insurance broker or insurers with respect to the insurance required by Section 8.07, in form and substance satisfactory to the Administrative Agent, and, if requested by the Administrative Agent, copies of the applicable policies.

(g) SEC and Other Filings; Reports to Shareholders. To the extent not readily available on a public web site or on an intranet web site to which the Administrative Agent has access, then promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower with the SEC, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be. Documents required to be delivered pursuant to Section 8.01(a), Section 8.01(b), and this Section 8.01(g) may be delivered electronically and shall be deemed to have been delivered on the date on which the Borrower posts such documents to EDGAR (or such other free, publicly-accessible internet database that may be established and maintained by the SEC as a substitute for or successor to EDGAR).

(h) Notices Under Material Instruments. Promptly after the furnishing thereof, copies of any financial statement, report or notice furnished to or by any Person pursuant to the terms of any preferred stock designation, indenture, loan or credit or other similar agreement with respect to Material Indebtedness, and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(i) Production Report and Lease Operating Statements. Within 45 days after the end of each fiscal quarter commencing with the fiscal quarter ending June 30, 2017, a report setting forth, for each calendar month during the then current fiscal year to date, the volume of production and sales attributable to production (and the prices at which such sales were made and the revenues derived from such sales) for each such calendar month from the Oil and Gas Properties, setting forth the related ad valorem, severance and production taxes and lease operating expenses attributable thereto and incurred for each such calendar month, and setting forth the drilling and operations for each such calendar month.

(j) [Reserved].

(k) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other material report or letter submitted to the Borrower or any consolidated Subsidiary by independent accountants in connection with any annual, interim or special audit made by them of the books of the Borrower and its consolidated Subsidiaries, and a copy of any response by the Borrower or any consolidated Subsidiary, or the board of managers or directors (or other applicable governing body) of the Borrower or any consolidated Subsidiary, to such letter or report, in each case excluding any routine correspondence.

(l) Notices Under Other Loan Agreements. Promptly after the furnishing thereof, copies of any default statement or notice of default furnished to any Person pursuant to the terms of any Permitted Unsecured Note or any other indenture, loan or credit or other similar agreement governing Material Indebtedness (including, without limitation, Permitted Unsecured Notes), other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(m) Other Requested Information. Promptly following any reasonable request therefor, such other information regarding the operations, business affairs and financial condition of the Credit Parties (including any Plan and any reports or other information required to be filed with respect thereto under the Code or under ERISA), or compliance with the terms of this Agreement or any other Loan Document, as the Administrative Agent or any Lender may reasonably request.

Section 8.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent prompt

(but in any event not later than five (5) days following the occurrence thereof) written notice of the following:

- (a) the occurrence of any Default;
- (b) the filing or commencement of, or the threat in writing of, any action, suit, proceeding, investigation or arbitration by or before any arbitrator or Governmental Authority against or affecting the Credit Parties or any of their respective Subsidiaries not previously disclosed in writing to the Lenders or any material adverse development in any action, suit, proceeding, investigation or arbitration (whether or not previously disclosed to the Lenders) that, in either case, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;
- (c) the occurrence of any Termination Event that results in, or could reasonably be expected to result in, a Material Adverse Effect;
- (d) any condition or event of which the Borrower has knowledge, which condition or event has resulted or may reasonably be expected to result in a Material Adverse Effect;

Each notice delivered under this Section 8.02 shall be accompanied by a statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 8.03. Existence: Conduct of Business. The Borrower will, and will cause each other Credit Party to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect (a) its legal existence as a Person organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof and (b) the rights, licenses, permits, privileges and franchises material to the conduct of its business and maintain, if necessary, its qualification to do business in each other jurisdiction in which its Oil and Gas Properties are located or the ownership of its Properties requires such qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 9.10.

Section 8.04. Payment of Obligations. The Borrower will, and will cause each other Credit Party to, pay its obligations, including Tax liabilities of the Credit Parties, before the same shall become delinquent or in default, except where the validity or amount thereof is being contested in good faith by appropriate proceedings, and such Credit Parties have set aside on their books adequate reserves with respect thereto in accordance with GAAP and the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in the seizure or levy of any Oil and Gas Property or other material Property of any Credit Party.

Section 8.05. Performance of Obligations under Loan Documents. The Borrower will pay the Loans in accordance with the terms hereof, and the Borrower will, and will cause each other Credit Party to, do and perform every act and discharge all of the obligations to be performed and discharged by them under the Loan Documents, including, without limitation, this Agreement, at the time or times and in the manner specified.

Section 8.06. Operation and Maintenance of Properties. The Borrower, at its own expense, will, and will cause each other Credit Party to:

- (a) operate its Oil and Gas Properties and other material Properties or cause such Oil and Gas

Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry in the same or similar locations in which such Property is located and in compliance with all applicable contracts and agreements and in compliance with all Governmental Requirements, including, without limitation, applicable pro ration requirements and Environmental Laws, and all applicable laws, rules and regulations of every other Governmental Authority from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals therefrom, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(b) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and preserve, maintain and keep in good repair, working order and efficiency (ordinary wear and tear and depletion excepted) all of its Oil and Gas Properties, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(c) promptly pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties in any material respect and will do all other things necessary to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder, except, in each case, where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(d) promptly perform or make reasonable and customary efforts to cause to be performed, in accordance with customary industry standards in the same or similar locations in which the Properties are located, the obligations required by the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(e) to the extent the Borrower is not the operator of any Property, the Credit Parties shall use reasonable efforts to cause the operator to comply with this Section 8.06.

Section 8.07. Insurance. The Borrower will, and will cause each other Credit Party to, maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. The Administrative Agent and the Lenders shall be named as additional insureds in respect of such liability insurance policies, and the Administrative Agent shall be named as loss payee with respect to Property loss insurance covering Collateral and such policies shall provide that the Administrative Agent shall receive 30 days' notice of cancellation or non-renewal (or 10 days' prior notice in the case of cancellation or non-renewal resulting from non-payment of premium) and provide for a waiver of subrogation in favor of the Administrative Agent and the Lenders.

Section 8.08. Books and Records; Inspection Rights. The Borrower will, and will cause each other Credit Party to, keep proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities.

The Borrower will, and will cause each other Credit Party to, permit any representatives designated by the Administrative Agent or Majority Revolving Credit Lenders, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and



condition with its officers and independent accountants, all at such reasonable times and as reasonably requested and at the sole expense of the Borrower; provided, however, unless an Event of Default then exists and is continuing, not more than one such inspection per calendar year shall be at the expense of the Borrower.

Section 8.09. Compliance with Laws. The Borrower will, and will cause each other Credit Party to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by itself, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions. Without limitation of the foregoing, the Borrower shall, and shall cause each other Credit Party, obtain, as soon as practicable, all consents or approvals required from the United States or any states of the United States (or other Governmental Authorities) necessary to grant the Administrative Agent an acceptable security interest in the Credit Parties' Oil and Gas Properties to the extent required under Section 6.01(g) and Section 8.14(a).

Section 8.10. Environmental Matters.

(a) The Borrower shall at its sole expense: comply, and shall cause its Properties and operations and each of their respective Subsidiaries and each such Subsidiary's Properties and operations to comply, with all applicable Environmental Laws, the breach of which could reasonably be expected to have a Material Adverse Effect; not Release or threaten to Release, and shall cause each of their respective Subsidiaries not to Release or threaten to Release, any Hazardous Material on, under, about or from any of their or their respective Subsidiaries' Properties or any other property offsite the Property to the extent caused by their or any of their respective Subsidiaries' operations except in compliance with applicable Environmental Laws, the Release or threatened Release of which could reasonably be expected to have a Material Adverse Effect; timely obtain or file, and shall cause each of their respective Subsidiaries to timely obtain or file, all Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the their or their respective Subsidiaries' Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; promptly commence and diligently prosecute to completion, and shall cause each of their respective Subsidiaries to promptly commence and diligently prosecute to completion, any assessment, evaluation, investigation, monitoring, containment, cleanup, removal, repair, restoration, remediation or other remedial obligations (collectively, the "Remedial Work") in the event any Remedial Work is required or reasonably necessary under applicable Environmental Laws because of or in connection with the actual or suspected past, present or future Release or threatened Release of any Hazardous Material on, under, about or from any of their or their respective Subsidiaries' Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; conduct, and cause their respective Subsidiaries to conduct, their respective operations and businesses in a manner that will not expose any Property or Person to Hazardous Materials that could reasonably be expected to cause the Borrower or its Subsidiaries to owe material damages or compensation; and establish and implement, and shall cause its respective Subsidiaries to establish and implement, such procedures as may be necessary to continuously determine and assure that the Borrower's and its Subsidiaries' obligations under this Section 8.10(a) are timely and fully satisfied, which failure to establish and implement could reasonably be expected to have a Material Adverse Effect.

(b) If the Borrower or any of its Subsidiaries receives written notice of any action or, investigation or inquiry by any Governmental Authority or any threatened demand or lawsuit by any

Person against it, the Borrower or any of its Subsidiaries or their Properties, in each case in connection with any Environmental Laws, the Borrower will promptly (but in any event within five (5) days) after any Responsible Officer learns thereof give written notice of the same to Administrative Agent if the Borrower could reasonably anticipate that such action will result in liability (whether individually or in the aggregate) in excess of \$5,000,000, not fully covered by insurance, subject to normal deductibles.

(c) The Borrower will, and will cause each other Credit Party to, provide environmental assessments, audits and tests in accordance with the most current version of the American Society of Testing Materials standards upon request by the Administrative Agent and the Lenders (no more than once per year in the absence of any Event of Default or as otherwise required to be obtained by the Administrative Agent or the Lenders by any Governmental Authority), in connection with any acquisition after the Effective Date of material Oil and Gas Properties of the Credit Parties.

#### Section 8.11. Further Assurances.

(a) The Borrower at its sole expense will, and will cause each other Credit Party to, promptly execute and deliver to the Administrative Agent all such other documents, agreements and instruments reasonably requested by the Administrative Agent to comply with, cure any defects or accomplish the conditions precedent, covenants and agreements of any Credit Party, as the case may be, in the Loan Documents, including the Notes, or to further evidence and more fully describe the collateral intended as security for the Obligations, or to correct any omissions in this Agreement or the Security Instruments, or to state more fully the obligations secured therein, or to perfect, protect or preserve any Liens created pursuant to this Agreement or any of the Security Instruments or the priority thereof, or to make any recordings, file any notices or obtain any consents, all as may be necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith.

(b) The Borrower hereby authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Mortgaged Property or any other Collateral without the signature of any Credit Party where permitted by law. A carbon, photographic or other reproduction of the Security Instruments or any financing statement covering the Mortgaged Property, in either case, or any part thereof shall be sufficient as a financing statement where permitted by law.

#### Section 8.12. Reserve Reports.

(a) On or before April 1 and October 1 of each year, commencing October 1, 2017, the Borrower shall furnish to the Administrative Agent and the Revolving Credit Lenders a Reserve Report evaluating the Oil and Gas Properties of the Borrower and the other Credit Parties as of the immediately preceding December 31 or June 30, respectively. The Reserve Report as of December 31 of each year shall be prepared or audited by one or more Approved Petroleum Engineers, and the June 30 Reserve Report of each year shall be prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate in all material respects (with appropriate exceptions for projections and cost estimates) and to have been prepared in accordance with the procedures used in the immediately preceding December 31 Reserve Report.

(b) In the event of an Interim Redetermination, the Borrower shall furnish to the Administrative Agent and the Revolving Credit Lenders a Reserve Report prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate in all material respects (with appropriate exceptions for projections and cost estimates) and to have been prepared in accordance with the procedures used in the immediately preceding December 31 Reserve Report. For any Interim Redetermination

requested by the Administrative Agent or the Borrower

pursuant to Section 2.06(b), the Borrower shall provide such Reserve Report with an “as of” date as required by the Administrative Agent as soon as possible, but in any event no later than thirty (30) days following the receipt of such request.

(c) With the delivery of each Reserve Report, the Borrower shall provide to the Administrative Agent and the Revolving Credit Lenders a certificate from a Responsible Officer certifying that, except as set forth on an exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments in excess of the volume specified in Section 7.18 with respect to the Oil and Gas Properties evaluated in such Reserve Report which would require any Credit Party to deliver Hydrocarbons either generally or produced from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor, none of their proved Oil and Gas Properties have been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all such Oil and Gas Properties sold and attached thereto is a schedule of the Oil and Gas Properties evaluated by such Reserve Report that are Mortgaged Properties and demonstrating the percentage of the total value of the proved Oil and Gas Properties that the value of such Mortgaged Properties represents in compliance with Section 8.14(a).

#### Section 8.13. Title Information.

(a) On or before the delivery to the Administrative Agent and the Revolving Credit Lenders of each Reserve Report required by Section 8.12(a), the Borrower will deliver title information in form and substance acceptable to the Administrative Agent covering enough of the Oil and Gas Properties evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Administrative Agent shall have received together with satisfactory title information previously delivered to the Administrative Agent, satisfactory title information on at least 85% of the total value of the proved Oil and Gas Properties evaluated by such Reserve Report.

(b) If the Borrower has provided title information for additional Properties under (a), the Borrower shall, within 60 days after notice from the Administrative Agent that title defects or exceptions exist with respect to such additional Properties, either (i) cure any such title defects or exceptions (including defects or exceptions as to priority) which are not permitted by Section 9.03 raised by such information, (ii) substitute acceptable Mortgaged Properties with no title defects or exceptions except for Excepted Liens having an aggregate equivalent value or (iii) deliver title information in form and substance reasonably requested by the Administrative Agent so that the Administrative Agent shall have received, together with satisfactory title information previously delivered to the Administrative Agent, satisfactory title information on at least 85% of the total value of the proved Oil and Gas Properties of the Credit Parties evaluated by such Reserve Report.

(c) If the Borrower is unable to cure any title defect requested by the Administrative Agent or the Lenders to be cured within the 60-day period or the Borrower does not comply with the requirements to provide acceptable title information covering 85% of the total value of the proved Oil and Gas Properties of the Credit Parties evaluated in the most recent Reserve Report, such inability to cure or comply shall not be a Default, but instead the Administrative Agent and/or the Required Revolving Credit Lenders shall have the right to exercise the following remedy in their sole discretion from time to time, and any failure to so exercise this remedy at any time shall not be a waiver as to future exercise of the remedy by the Administrative Agent or the Required Revolving Credit Lenders: such unacceptable Mortgaged Property shall not count towards the 85% requirement, and the Administrative Agent may send a notice to the Borrower and the Lenders that the then outstanding Borrowing Base shall be reduced by an amount as determined by the Required Revolving Credit Lenders to cause the Borrower

to be in compliance with the requirement to provide acceptable title information on 85% of the total value of the proved Oil and Gas Properties of the Credit Parties. This new Borrowing Base shall become effective immediately after receipt of such notice.

Section 8.14. Agreement to Pledge; Additional Guarantors.

(a) The Borrower shall, and shall cause each other Credit Party to, grant to the Administrative Agent a Lien on all Property of the Borrower or any other Credit Party now owned or hereafter acquired promptly after receipt of a written request from the Administrative Agent; provided that

(i) unless an Event of Default has occurred and is continuing and other than as provided in clause (iii) below, in no event shall the Administrative Agent be permitted to request or the Borrower be required to grant a Lien on any Oil and Gas Properties that exceeds 85% of the total value of the proved Oil and Gas Properties evaluated in the most recently completed Reserve Report, (ii) the Borrower shall not be required to grant a Lien encumbering more than 66% of the outstanding voting securities in any Foreign Subsidiary unless the granting of such Lien would not result in a material adverse tax consequence to the Borrower or any of its Restricted Subsidiaries, (iii) the Borrower shall not be required to grant a Lien encumbering Equity Interests of Unrestricted Subsidiaries, and (iv) any other Property excluded from the grant of Liens in accordance with the terms of the Security Instruments. If an Event of Default has occurred and is continuing, the Administrative Agent is permitted to request, and the Borrower shall be required to promptly (but in any event within three (3) Business Days after Administrative Agent delivers the Borrower a form of Security Instruments for such Oil and Gas Properties (other than any exhibits or schedules thereto)) grant a Lien on substantially all of the Credit Parties' Oil and Gas Properties (whether or not such Oil and Gas Properties constitute proved Oil and Gas Properties). Such form of Security Instruments shall reaffirm any Lien granted in any Oil and Gas Property prior thereto. All such Liens shall be superior to all Liens or rights of any other Person in the Property encumbered thereby (other than Permitted Liens) and will be created and perfected by and in accordance with the provisions of deeds of trust, security agreements and financing statements or other Security Instruments, all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes. In order to comply with the foregoing, if any Subsidiary of the Borrower places a Lien on its Oil and Gas Properties and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with clause (b) of this Section.

(b) The Borrower shall promptly cause each Subsidiary that is not an Unrestricted Subsidiary to guarantee the Obligations pursuant to the Guaranty Agreement. In connection with any such guaranty, the Borrower shall, or shall cause such Subsidiary to, promptly, but in any event no later than 30 days (or such later date as the Administrative Agent may agree in its reasonable discretion) after the formation or acquisition (or other similar event) of such Subsidiary to, execute and deliver a supplement to the Guaranty Agreement executed by such Subsidiary, a supplement executed by such Subsidiary to the Security Agreement executed by the Credit Parties on the Effective Date, a pledge all of the Equity Interests of such Subsidiary (including, without limitation, in the event that the Equity Interests of such Subsidiary are certificated, delivery of original certificates evidencing such Equity Interests, together with an appropriate undated transfer power for each such certificate duly executed in blank by the registered owner thereof), if such Subsidiary owns proved Oil and Gas Properties, a mortgage or deed of trust to the extent required to be in compliance with Section 8.14(a) and execute and deliver such other additional Security Instruments, closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent or the Majority Revolving Credit Lenders.

Section 8.15. ERISA Compliance. The Borrower will promptly furnish and will cause each other Credit Party and any ERISA Affiliate to promptly furnish to the Administrative Agent promptly after request therefor by

the Administrative Agent, copies of each annual and other report with respect to each Plan or any trust created thereunder, and promptly upon becoming aware of the occurrence of any “prohibited transaction,” as described in section 406 of ERISA or in section 4975 of the Code for which no

exception exists or is available by statute, regulation, administrative exemption, or otherwise, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal Financial Officer of the Borrower, such Credit Party or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action the Borrower, such Credit Party or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service or the Department of Labor with respect thereto.

Section 8.16. Marketing Activities. The Borrower will not, and will not permit any of its Subsidiaries to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from their proved Oil and Gas Properties during the period of such contract, contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from proved Oil and Gas Properties of third parties during the period of such contract associated with the Oil and Gas Properties of the Credit Parties that any Credit Party has the right to market pursuant to joint operating agreements, unitization agreements or other similar contracts that are usual and customary in the oil and gas business and other contracts for the purchase and/or sale of Hydrocarbons of third parties (a) which have generally offsetting provisions (*i.e.* corresponding pricing mechanics, delivery dates and points and volumes) such that no “position” is taken or which are cancelable on 60 days- notice or less without penalty or detriment for the sale of production from the Borrower’s or the Subsidiaries’ Hydrocarbons, and (b) for which appropriate credit support has been taken to alleviate the material credit risks of the counterparty thereto.

Section 8.17. Unrestricted Subsidiaries. The Borrower:

(a) will cause the management, business and affairs of each Credit Party to be conducted in such a manner (including, without limitation, by keeping separate books of account, furnishing separate financial statements of Unrestricted Subsidiaries to creditors and potential creditors thereof and by not permitting Properties of the Credit Parties to be commingled) so that each Unrestricted Subsidiary will be treated as an entity separate and distinct from Credit Parties;

(b) will cause each Unrestricted Subsidiary (i) to refrain from maintaining its assets in such a manner that would make it costly or difficult to segregate, ascertain or identify as its individual assets from those of any Credit Party and (ii) to observe all corporate formalities;

(c) will not, and will not permit any other Credit Party to, incur, assume, guarantee or be or become liable for any Debt of any of the Unrestricted Subsidiaries;

(d) will not, and will not permit any other Credit Party to, permit any credit agreement for a senior credit facility, a loan agreement for a senior credit facility, a note purchase agreement for the sale of promissory notes or an indenture governing capital markets debt instruments pursuant to which any Credit Party is a borrower, issuer or guarantor (the “Relevant Debt”), the terms of which would, upon the occurrence of a default under any Debt of an Unrestricted Subsidiary, (i) result in, or permit the holder of any Relevant Debt to declare a default on such Relevant Debt or (ii) cause the payment of any Relevant Debt to be accelerated or payable before the fixed date on which the principal of such Relevant Debt is due and payable;

(e) will not permit any Unrestricted Subsidiary to hold any Equity Interest in, or any Debt of,

any Credit Party;

(f) will not, and will not permit any Credit Party to, create, assume, incur or suffer to exist any Lien on or in respect of any of its Property (other than any of its interest in the Equity Interest of an Unrestricted Subsidiary) for the benefit of an Unrestricted Subsidiary;

(g) will not and will not permit any Credit Party to, sell, assign, pledge, or otherwise transfer any of its Properties to any Unrestricted Subsidiary, except as permitted under Section 9.11 and on terms permitted by Section 9.12; and

(h) except as permitted under Section 9.05, make or permit to exist any loans, advances, or capital contributions to, or make any investment in, or purchase or commit to purchase any stock or other securities or evidences of indebtedness of or interests in, any Unrestricted Subsidiary or in any of its Properties.

Section 8.18. Account Control Agreements. The Borrower will, and will cause each other Credit Party to, (a) in connection with any Deposit Account and/or any Securities Account (other than an Excluded Account for so long as it is an Excluded Account), cause such Deposit Account and/or Securities Account (other than an Excluded Account for so long as it is an Excluded Account) to be subject to a Control Agreement within thirty (30) days after the Effective Date (or such longer period of time as may be agreed to by the Administrative Agent). The Borrower, for itself and on behalf of the other Credit Parties, hereby authorizes the Administrative Agent to deliver notices to the depository banks and securities intermediaries pursuant to any Control Agreement under any one or more of the following circumstances: (x) following the occurrence of and during the continuation of an Event of Default, (y) as otherwise agreed to in writing by the Borrower or any Credit Party, as applicable, and (z) as otherwise permitted by applicable law. As to Deposit Accounts and Securities Accounts (in each case, other than an Excluded Account for so long as it is an Excluded Account) established by the Borrower or any other Credit Party after the Effective Date, the Borrower will, and will cause each other Credit Party to, cause such Deposit Account and/or Securities Accounts to be subject to a Control Agreement within fourteen (14) days after the establishment thereof (or such longer period of time as may be agreed to by the Administrative Agent).

Section 8.19. Post-Closing. The Borrower will, and will cause each other Credit Party to, within ten (10) Business Days after the Effective Date, deliver (a) to the Administrative Agent such title information as the Administrative Agent may reasonably require satisfactory to the Administrative Agent setting forth the status of title to Oil and Gas Properties to which at least 85% of the total value of the proved reserves of Hydrocarbons evaluated in the Initial Reserve Report are attributed, (b) to the Administrative Agent duly executed mortgages and/or deeds of trust (in such number as may be requested by the Administrative Agent) such that the Administrative Agent shall be reasonably satisfied that the mortgages and/or deeds of trust create first priority, perfected Liens (subject only to Permitted Liens) on, among other things, Oil and Gas Properties to which at least 85% of the total value of the proved reserves of Hydrocarbons evaluated in the Initial Reserve Report are attributed, and (c) an opinion of Haynes and Boone, LLP, special counsel to the Credit Parties in form and substance reasonably satisfactory to the Administrative Agent.

## ARTICLE IX NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents have been paid in full and all Letters of Credit have expired or terminated and all Reimbursement Obligations shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 9.01. Financial Covenants.

(a) Current Ratio. Commencing June 30, 2017, and for each such fiscal quarter ending thereafter, the Borrower will not permit, as of the last day of any such fiscal quarter, the ratio of (i) the Current Assets of the Borrower and the other Credit Parties to (ii) the Current Liabilities of the Borrower and the other Credit Parties, to be less than 1.0 to 1.0.

(b) Leverage Ratio. Commencing June 30, 2017, and for each fiscal quarter ending thereafter, the Borrower will not permit, as of the last day of any such fiscal quarter, the ratio (the "Leverage Ratio") of (i) the consolidated Total Debt of the Borrower and the other Credit Parties as of such time to (ii) the Adjusted EBITDAX of the Borrower and the other Credit Parties, to be greater than 4.00 to 1.00.

Section 9.02. Debt. The Borrower will not, nor will it permit any other Credit Party to, incur, create, assume or suffer to exist any Debt, except:

(a) the Notes or other Obligations arising under the Loan Documents, Cash Management Agreements or the Secured Swap Agreements;

(b) Debt of the Borrower and the other Credit Parties existing on the date hereof that is reflected on Schedule 9.02.

(c) Debt under Capital Leases or that constitutes Purchase Money Indebtedness; provided that the aggregate principal amount of all Debt described in this Section 9.02(b) at any one time outstanding shall not to exceed \$25,000,000 in the aggregate;

(d) intercompany Debt between the Borrower and any other Credit Party or between Credit Parties; provided that such Debt is not held, assigned, transferred, negotiated or pledged to any Person other than a Credit Party; and, provided further, that any such Debt owed by a Credit Party shall be subordinated to the Obligations on terms set forth in the Guaranty Agreement;

(e) Debt constituting a guaranty by a Credit Party of Debt permitted to be incurred under this Section 9.02;

(f) other Debt not to exceed \$30,000,000 in the aggregate at any one time outstanding;

(g) Debt arising under Swap Agreements in compliance with Section 9.16;

(h) (i) Debt in respect of unsecured notes existing on the Effective Date and listed on Schedule 9.02(h) and (ii) other Debt in respect of unsecured notes; provided that, with respect to any such Debt incurred after the Effective Date, (A) no Default or Borrowing Base deficiency exists at the time of the incurrence of such Debt or would result therefrom (including after giving effect to any automatic reduction of the Borrowing Base pursuant to Section 2.06(e)), (B) such Debt does not require any scheduled amortization of principal or have a maturity date prior to 180 days after the Revolving Credit Maturity Date at the time of the incurrence of such Debt, (C) the covenants and events of default contained in the documentation governing such Debt are (I) in the case of financial covenants, not more restrictive than the financial covenants of this Agreement and the other Loan Documents and (II) in the case of other covenants and events of default, taken as a whole, not more restrictive than the corresponding terms of this Agreement and the other Loan Documents in each case as reasonably determined in good faith by the Borrower, (D) the documents governing such Debt do not contain any mandatory

prepayment or Redemption provisions (other than customary redemption provisions in connection with changes in control that also constitute an Event of Default hereunder or certain asset dispositions) which would require a mandatory prepayment or Redemption of such Debt in priority to the Loans, (E) immediately before and after giving effect to the incurrence and any concurrent repayment of such Debt with the proceeds thereof,

(I) the Leverage Ratio, calculated on a pro forma basis, after giving effect to the incurrence of such Debt,

as of the fiscal quarter end occurring immediately prior to the incurrence of such Debt for which financial statements are available, to be greater than 4.00 to 1.00 and (II) the Borrower is in pro forma compliance with Section 9.01(a), and (F) such Debt does not prohibit prior repayment of the Obligations;

(i) Debt which represents an extension, refinancing, or renewal of any of the Permitted Unsecured Notes; provided that such Debt satisfies the conditions set forth in Section 9.02(h);

(j) Debt to pay the deferred purchase price of Property; provided that (i) no Default or Borrowing Base deficiency exists at the time of the incurrence of such Debt or would result therefrom (including compliance with Section 9.01(b) after giving pro forma effect to such incurrence), (ii) the covenants and events of default contained in the documentation governing such Debt are, (A) in the case of financial covenants, not more restrictive than the financial covenants of this Agreement and the other Loan Documents and, (B) in the case of other covenants and events of default, taken as a whole, not more restrictive than the corresponding terms of this Agreement and the other Loan Documents in each case as reasonably determined in good faith by the Borrower, (iii) the documents governing such Debt do not contain any mandatory prepayment or Redemption provisions (other than customary change of control or asset sale tender offer provisions) which would require a mandatory prepayment or Redemption of such Debt in priority to the Loans, (iv) such Debt does not prohibit prior repayment of the Obligations and (v) the aggregate principal amount of all Debt described in this Section 9.02(j) shall not exceed \$100,000,000 outstanding at any one time; and

Section 9.03. Liens. The Borrower will not, nor will it permit any other Credit Party to, create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired), except:

(a) Liens securing the payment of any Obligations;

(b) Excepted Liens;

(c) Liens on deposits of cash or securities securing the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature incurred in the ordinary course of business;

(d) Liens on cash or securities of the Borrower or any other Credit Party in an aggregate amount not to exceed \$10,000,000 securing obligations arising under (i) Swap Agreements that are intended to reduce or eliminate the risk of fluctuations in the price of Hydrocarbons or (ii) any Swap Agreement between a Credit Party and one or more financial institutions providing for the exchange of nominal interest obligations between such Credit Party and such financial institutions or the cap of the interest rate on any Debt of a Credit Party, in each case, which are not prohibited by the terms of Section 9.16, with counterparties that were not Secured Swap Parties;

(e) Liens securing Capital Leases and Purchase Money Indebtedness permitted by Section 9.02(b) but only on the Property under lease or the Property purchased with such Purchase Money Indebtedness;

(f) Liens on Properties of the Borrower and the other Credit Parties existing on the Effective



Date that are reflected on Schedule 9.03; and

(g) Liens on Property not constituting Hydrocarbon Interests and not otherwise permitted by the foregoing clauses of this Section 9.03; provided that the aggregate principal or face amount of all Debt secured by such Liens pursuant to this Section 9.03(f), and the fair market value of the

Properties subject to such Liens (determined as of the date such Liens are incurred), shall not exceed \$10,000,000 in the aggregate at any time.

Section 9.04. Restricted Payments. The Borrower will not, nor will it permit any other Credit Party to, declare or make, or agree to pay or make, directly or indirectly (collectively in this section, "make"), any Restricted Payment except:

(a) any Credit Party may make Restricted Payments to any other Credit Party;

(b) the Borrower may make Restricted Payments with respect to its Equity Interests payable solely in additional Equity Interests (other than Disqualified Capital Stock) of the Borrower or from the proceeds of a contemporaneous issuance of Equity Interests of the Borrower, provided that no Borrowing Base deficiency, Default or Event of Default has occurred, is continuing or would result therefrom; and

(c) the Borrower may pay regularly scheduled dividends, in cash, on the Existing Preferred Stock in an aggregate amount during any fiscal year not exceeding (i) \$8,000,000 in respect of dividends scheduled to be paid in such year plus (ii) the amount of any previously deferred and unpaid regularly scheduled dividends; provided that, after giving effect to the payment of any such deferred dividends pursuant to this clause (ii), the Borrowing Base Utilization Percentage would be less than 80%;

(d) the Borrower may repurchase or redeem shares of common Equity Interests of the Borrower from any holder of less than 100 shares of such common Equity Interests, provided that the aggregate amount paid for all such repurchases and redemptions made pursuant to this clause (d) shall not exceed \$5,000,000 in any fiscal year;

(e) the Borrower may purchase, redeem or acquire, cancel or retire for value capital stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire capital stock of the Borrower held by any existing or former directors, employees or management of the Borrower or any Subsidiary of the Borrower or their assigns, estates or heirs, in each case, in connection with employee or director stock option, restricted stock or restricted stock units, or stock purchase agreements or other agreements to compensate such management employees or directors; provided that such redemptions or repurchases pursuant to this clause (e) will not exceed \$5,000,000 in the aggregate during any calendar year and \$20,000,000 in the aggregate for all such redemptions and repurchases; and

(f) the Borrower may make any other Restricted Payments (other than dividends on the Existing Preferred Stock); provided that (i) no Borrowing Base deficiency, Default or Event of Default has occurred, is continuing or would result therefrom, (ii) after giving pro forma effect to such Restricted Payment, (A) the Borrowing Base Utilization Percentage would be less than 80%, and (B) the Leverage Ratio shall not be greater than 3.00 to 1.00.

Section 9.05. Investments, Loans and Advances. The Borrower will not, nor will it permit any other Credit Party to, make or permit to remain outstanding any Investments in or to any Person, except that the foregoing restriction shall not apply to:

- (a) the Investments reflected in the Financial Statements or disclosed to the Lenders in Schedule 9.05;
- (b) accounts receivable arising in the ordinary course of business and payable in accordance with customary trade terms;
- (c) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof;
- (d) commercial paper maturing within one year from the date of creation thereof rated in one of the two highest grades by S&P or Moody's;
- (e) demand deposits, and time deposits maturing within one year from the date of creation thereof, with, or issued by any Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least \$500,000,000 (as of the date of such bank or trust company's most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by S&P or Moody's, respectively;
- (f) deposits in money market funds investing exclusively in Investments described in Section 9.05(c), Section 9.05(d) or Section 9.05(e);
- (g) Investments made by any Credit Party in or to any other Credit Party;
- (h) Investments in stock, obligations or securities received in settlement of debts arising from Investments permitted under this Section 9.05 owing to any Credit Party as a result of a bankruptcy or other insolvency proceeding of the obligor in respect of such obligations or upon the enforcement of such obligations or of any Lien securing such obligations; provided that the Borrower shall give the Administrative Agent prompt written notice in the event that the aggregate amount of all Investments held at any one time under this Section 9.05(h) exceeds \$5,000,000;
- (i) Investments constituting Debt permitted under Section 9.02;
- (j) other Investments not to exceed \$25,000,000 in the aggregate at any time; and
- (k) Investments in Joint Ventures and Unrestricted Subsidiaries, provided that (i) the aggregate amount of all such Investments at any one time permitted by this clause (k) shall not exceed \$75,000,000 (or its equivalent in other currencies as of the date of Investment) and (ii) the Commitment Utilization Percentage is less than eighty percent (80%) immediately before and immediately after giving effect to such Investment.

Section 9.06. Nature of Business; Organizational Changes. The Borrower (a) will not, nor will it permit any other Credit Party to, allow any material change to be made in the character of their business, taken as a whole, as an independent oil and gas exploration and production company, (b) will provide prior written notice to the Administrative Agent of any change in such Credit Party's corporate name, the location of such Credit Party's chief executive office, such Credit Party's identity or corporate, limited liability or partnership structure or in the jurisdiction in which such Credit Party is incorporated or formed, such Credit Party's jurisdiction of organization or such Credit Party's organizational identification number in such jurisdiction of organization, and/or the Credit

Party's federal taxpayer identification number, and (c) will not, nor will it permit any other Credit Party to, amend, modify, or supplement its certificate of formation, limited liability company agreement, articles of incorporation, by-laws, preferred stock designation or any other organic document of such Credit Party without the prior written consent of the Administrative Agent (other than minor amendments that are ministerial in nature and are not adverse to the Lenders).

Section 9.07. Proceeds of Loans. The Borrower will not, nor will it permit any other Credit Party to, permit the proceeds of the Loans to be used for any purpose other than those permitted by Section 7.21.

No Credit Party or any Person acting on behalf of any Credit Party has taken or will take any action which might cause any of the Loan Documents to violate Regulations T, U or X or any other regulation of the Board or to violate section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. If requested by the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 or such other form referred to in Regulation U, Regulation T or Regulation X of the Board, as the case may be.

Section 9.08. ERISA Compliance. No Credit Party will, nor will it permit any of its subsidiaries to, at any time:

(a) engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which the Borrower, any other Credit Party or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code where such penalty or tax could reasonably be expected to have a Material Adverse Effect.

(b) fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Borrower, any other Credit Party or any ERISA Affiliate is required to pay as contributions thereto where such penalty or tax could reasonably be expected to have a Material Adverse Effect.

(c) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability other than for benefits due as of, or claims incurred prior to, the effective date of such termination, or any employee pension benefit plan, as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code.

(d) terminate, or permit any ERISA Affiliate to terminate, any Plan in a manner, or take any other action with respect to any Plan, which could reasonably be expected to result in any liability to any Credit Party or any ERISA Affiliate to the PBGC.

(e) permit to exist, or allow any ERISA Affiliate to permit to exist, any unpaid minimum required contribution within the meaning of section 302 of ERISA or section 412 of the Code, whether or not waived, with respect to any Plan.

(f) incur, or permit any ERISA Affiliate to incur, a liability to or on account of a Plan or a Multiemployer Plan under sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA that could reasonably be expected to result in liability of any Credit Party exceeding \$10,000,000.

Section 9.09. Sale or Discount of Receivables. Except for receivables obtained by any Credit Party out of the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection thereof and not in connection with any financing transaction, the Borrower will not, nor will it permit any other Credit Party to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable to any Person other than another Credit Party.

Section 9.10. Mergers, Etc. The Borrower will not, nor will it permit any other Credit Party to, merge into or with or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property to any other Person (whether now owned or hereafter acquired) (in this section, any such transaction, a "consolidation"), or liquidate or dissolve; provided that, so long as no Default has occurred and is then continuing, (a) any Subsidiary may participate in a consolidation with the Borrower (provided that the Borrower shall be the survivor) (b) any other Subsidiary and any Unrestricted Subsidiary may participate in a consolidation with the Borrower or any of its Subsidiaries (provided that, if the Borrower participates in the consolidation, the Borrower shall be the surviving entity, and otherwise, such Subsidiary (and not such Unrestricted Subsidiary) shall be the continuing or surviving entity), and (c) any Credit Party (other than the Borrower) may liquidate or dissolve so long as all of its assets (if any) are distributed to another Credit Party in connection with such liquidation or dissolution.

Section 9.11. Sale of Properties. The Borrower will not, nor will it permit any other Credit Party to, sell, assign, farm-out, convey, swap, trade or otherwise transfer (collectively in this section, "Transfer") any Oil and Gas Property or any interest in Hydrocarbons produced or to be produced therefrom or any Equity Interest in any Credit Party that owns any Oil and Gas Property, commodity Swap Agreement or any interest in Hydrocarbons produced or to be produced therefrom (in this section, an "E&P Credit Party") or unwind or terminate any commodity Swap Agreements, except for:

- (a) the sale of Hydrocarbons in the ordinary course of business;
- (b) farmouts, swaps or trades of undeveloped acreage not included in the most recently delivered Reserve Report and assignments in connection with such farmouts, swaps or trades, sales or licenses of intellectual property, seismic, and other geological or geophysical data, none of which, in the aggregate, materially impair the operation of the business of any Credit Party, and the abandonment of intellectual property, seismic, and other geological or geophysical data that is no longer material to the operation of the business of any Credit Party;
- (c) the Transfer of equipment that is no longer necessary for the business of the Borrower or such other Credit Party or is replaced by equipment of at least comparable value and use;
- (d) Transfers of Oil and Gas Properties to which no proved reserves of oil or natural gas are attributed;
- (e) Transfers of Oil and Gas Properties to which proved reserves of oil or gas are attributed, provided that at least 80% of the consideration received in respect of such sale or other disposition shall be cash or Oil and Gas Properties to which proved reserves of oil or gas are attributed and with respect to which the Administrative Agent has received reasonably satisfactory Engineering Reports or the assumption of liabilities related to such transferred Oil and Gas Properties;

(f) Transfers of all (but not less than all) of the Equity Interests collectively owned by the Borrower and its Subsidiaries in any E&P Credit Party;

(g) the unwinding or termination of commodity Swap Agreements;  
and

(h) other Transfers of Property not permitted by the preceding clauses (a) through (g) having a fair market value not to exceed \$20,000,000 in any fiscal year of the Borrower.

To the extent that, during any period between two successive Scheduled Redetermination Dates, (1) Oil and Gas Properties with an aggregate Borrowing Base value in excess of five percent (5%) of the Borrowing Base value of all Oil and Gas Properties included in the Borrowing Base are Transferred pursuant to the preceding subsection (e) and/or (f), as applicable, (2) commodity Swap Agreements of the Credit Parties with an aggregate Borrowing Base value in excess of five percent (5%) of the Borrowing Base value of all Oil and Gas Properties included in the Borrowing Base are unwound or terminated pursuant to the preceding subsection (g), or (3) Oil and Gas Properties and commodity Swap Agreements of the Credit Parties with an aggregate Borrowing Base value in excess of seven and one-half percent (7.5%) of the Borrowing Base value of all Oil and Gas Properties included in the Borrowing Base are Transferred or unwound or terminated pursuant to transactions of the nature described in the preceding clauses (1) and (2), in each case, as determined by the Required Revolving Credit Lenders, then the Borrowing Base shall be reduced, effective immediately, by the Borrowing Base value (as determined by the Required Revolving Credit Lenders) of such Oil and Gas Properties and/or commodity Swap Agreements that are Transferred or unwound or terminated; provided that for purposes of this sentence,

(i) a commodity Swap Agreement shall be deemed to have not been unwound or terminated if, (x) such commodity Swap Agreement is novated from the existing counterparty to a Secured Swap Party, with the Borrower or the applicable Credit Party being the “remaining party” for purposes of such novation, or (y) upon its termination or unwinding, it is replaced, in a substantially contemporaneous transaction, with one or more commodity Swap Agreements with approximately the same market-to-market value and without cash payments to any Credit Party in connection therewith, and (ii) an Oil and Gas Property shall be deemed to have not been Transferred if upon its Transfer, it is (A) replaced, in a substantially contemporaneous transaction, with Oil and Gas Properties with approximately the same value as evidenced by reasonably satisfactory Engineering Reports delivered to the Administrative Agent prior to the effectiveness of such transaction and (B) pledged as Collateral pursuant to a Security Instrument acceptable to the Administrative Agent delivered to the Administrative Agent contemporaneous with the effectiveness of such transaction. For the purposes of the preceding sentence, the Transfer of an E&P Credit Party owning such Oil and Gas Properties and/or commodity Swap Agreements pursuant to Section 9.11(f) shall be deemed the Transfer of the Oil and Gas Properties and the unwinding or termination of the commodity Swap Agreements owned by such E&P Credit Party.

Section 9.12. Transactions with Affiliates. The Borrower will not, nor will it permit any other Credit Party to, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than one of the other Credit Parties) unless such transactions are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm’s length transaction with a Person not an Affiliate; provided, however, the foregoing provisions of this Section 9.12 shall not apply to: (i) the performance of employment, equity award, equity option or equity appreciation agreements, plans or other similar compensation or benefit plans or arrangements (including vacation plans, health and insurance plans, deferred compensation plans and retirement or savings plans) entered into by the Borrower or any Credit Party in the ordinary course of its business with its or for the benefit of its employees, officers and directors and (ii) fees and compensation to, and indemnity provided on behalf of, officers, directors, and employees of the Borrower or any Credit Party in their capacity as such, to the extent such fees and compensation are customary.

Section 9.13. Subsidiaries. The Borrower will not, nor will it permit any other Credit Party to, (a) create or acquire any additional Subsidiary or re-designate an Unrestricted Subsidiary as a Restricted Subsidiary unless the Borrower gives prior written notice to the Administrative Agent thereof and complies with Section 8.14(b), or (b) sell, assign or otherwise dispose of any Equity Interests in any Credit Party except (i) to another Credit Party or (ii) in compliance with Section 9.05, Section 9.10 and Section 9.11(d). No Credit Party shall have any Foreign Subsidiaries.

Section 9.14. Negative Pledge Agreements; Dividend Restrictions. The Borrower will not, nor will it permit any other Credit Party to, create, incur, assume or suffer to exist any contract, agreement or understanding (other than this Agreement, the Security Instruments, agreements with respect to Purchase Money Indebtedness or Capital Leases secured by Liens permitted by Section 9.03(c)), but then only with respect to the Property that is the subject of such Capital Lease or Purchase Money Indebtedness, and documents creating Liens which are described in clause (d), (e) or (f) of the definition of "Excepted Liens", but then only with respect to the Property that is the subject of the applicable lease, document or license described in such clause (d), (e) or (i) that in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property in favor of the Administrative Agent for the benefit of the Lenders, or restricts any Credit Party from paying dividends or making any other distributions in respect of its Equity Interests to any Credit Party. The Borrower will not, nor will it permit any other Credit Party to, prior to the date that is one year after the Maturity Date, make or offer to make any optional or voluntary Redemption of or otherwise optionally or voluntarily Redeem (whether in whole or in part) any principal in respect of any Permitted Unsecured Notes, except so long as (a) no Borrowing Base deficiency or Default exists or results therefrom, (b) after giving pro forma effect to such Redemption, the Commitment Utilization Percentage is not more than eighty percent (80%) and (c) the Borrower is permitted to borrow under the terms of this Agreement, including Section 6.02 hereof, any Credit Party may voluntarily Redeem any principal in respect of such Debt; provided, however, the Borrower will be permitted to extend, refinance or renew such Debt pursuant to the terms of Section 9.02(i) hereof.

Section 9.15. Gas Imbalances. The Borrower will not, nor will it permit any other Credit Party to, allow gas imbalances, take or pay or other prepayments with respect to the Oil and Gas Properties of the Credit Parties that would require such Credit Party to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor to exceed five percent (5%) of the annual production of gas of the Credit Parties for the most recent calendar year, on an mcf equivalent basis in the aggregate.

Section 9.16. Swap Agreements. The Borrower will not, nor will it permit any other Credit Party to, enter into any Swap Agreements with any Person other than (a) non-speculative Swap Agreements in respect of commodities with an Approved Counterparty for a term of not more than 60 months and the notional volumes for which (when aggregated with other commodity Swap Agreements then in effect other than put or floor options as to which an upfront premium has been paid or basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, as of the date such Swap Agreement is executed, eighty-five percent (85%) of the reasonably anticipated projected production from proved Oil and Gas Properties based on the most recently delivered Reserve Report for each month during which such Swap Agreement is in effect for each of crude oil, natural gas, and natural gas liquids calculated separately, provided that the Borrower shall, without causing a breach of this Section 9.16, have the option to enter into commodity Swap Agreements with respect to reasonably forecasted projected production from proved Oil and Gas Properties not then owned by the Credit Parties but which are subject to a binding purchase agreement for which one or more of the Credit Parties are scheduled to acquire such proved Oil and Gas Properties within the applicable period (based upon the reserve report for such proved Oil and Gas Properties that has been delivered to the Administrative Agent); provided that, the notional volume of all production that is forecasted to be produced from the proved Oil and Gas Properties that are to be acquired under the definitive purchase agreement that is subject to Swap Agreements shall not exceed thirty percent

(30%) of the aggregate notional volume of crude oil, natural gas, and natural gas liquids that are permitted to be subject to Swap Agreements pursuant to this Section 9.16, without giving effect to such proposed purchase; provided further that, if (A) if such purchase agreement does not close for any reason within sixty

(1) days of the date required thereunder, including any binding extensions thereof, (B) the Commitment Utilization Percentage (but only to the extent that the Borrower is permitted to borrow such amount under the terms of this Agreement, including Section 6.02 hereof) is not more than eighty-five percent (85%) at any time prior to the closing of such proposed purchase (provided that, such maximum percentage shall be increased to 90% if notional volume of all production that is forecasted to be produced from the proved Oil

and Gas Properties that are to be acquired under the definitive purchase agreement that is subject to Swap Agreements does not exceed twenty percent (20%) of the aggregate notional volume of crude oil, natural gas, and natural gas liquids that are permitted to be subject to Swap Agreement pursuant to this Section 9.16, without giving effect to such proposed purchase), or (C) seven (7) Business Days have passed since the termination of the binding purchase agreement for such proposed acquisition, then the Credit Parties shall unwind or otherwise terminate the Swap Agreements entered into with respect to production that was to be acquired thereunder, and (b) non-speculative Swap Agreements in respect of interest rates with an Approved Counterparty, the notional amounts of which (when aggregated with all other Swap Agreements of the Credit Parties then in effect) do not exceed eighty-five percent (85%) of the then outstanding principal amount of the Borrower's Debt for borrowed money. In no event shall any Swap Agreement, other than a master Swap Agreement pursuant to which any Credit Party executes only put or floor options as to which an upfront premium has been paid, contain any requirement, agreement or covenant for any Credit Party to post collateral or margin to secure its obligations under such Swap Agreement other than (y) to the extent permitted under Section 9.03(d) and (z) for the benefit of a Secured Swap Party pursuant to the Security Instruments as contemplated herein.

Section 9.17. Designation and Conversion of Subsidiaries and Unrestricted Subsidiaries; Debt of Unrestricted Subsidiaries.

(a) Unless designated as an Unrestricted Subsidiary in accordance with Section 9.17(b), any Person that becomes a Domestic Subsidiary of the Borrower or any of its Restricted Subsidiaries shall be classified as a Restricted Subsidiary.

(b) The Borrower may designate by written notification thereof to the Administrative Agent, any Person that would otherwise be a Restricted Subsidiary of the Borrower, including a newly formed or newly acquired Person that would otherwise be a Restricted Subsidiary of the Borrower, as an Unrestricted Subsidiary if (i) prior, and after giving effect, to such designation, neither a Default nor a Borrowing Base deficiency would exist, (ii) such Person does not own or operate any Oil and Gas Properties included in the most recently delivered Reserve Report for which a Borrowing Base has been determined, other than Oil and Gas Properties permitted to be sold or otherwise transferred pursuant to Section 9.11 (which shall count as a Transfer thereunder), (iii) such Person is not a guarantor or the primary obligor with respect to any Debt permitted under Section 9.02(h) or Section 9.02(i) unless such Person will be released contemporaneously with such designation, (iv) such Person is not a party to any agreement, contract, arrangement or understanding with the Borrower or any other Credit Party unless the terms of such agreement, contract, arrangement or understanding are permitted by Section 9.12, (v) such designation is deemed to be an Investment in an Unrestricted Subsidiary in an amount equal to the fair market value as of the date of such designation of the Borrower's direct or indirect ownership interest in such Person and such Investment would be permitted to be made at the time of such designation under Section 9.05(k), and (vi) the Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower certifying that such designation complies with the requirements of this Section 9.17(b). For purposes of the foregoing, the designation of a Person as an Unrestricted Subsidiary shall be deemed to be the designation of all

present and future subsidiaries of such Person as Unrestricted Subsidiaries. Except as provided in this Section 9.17(b), no Restricted Subsidiary may be re-designated as an Unrestricted Subsidiary.

(c) The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary if after giving effect to such designation, (i) the representations and warranties of the Credit Parties contained in each of the Loan Documents are true and correct in all material respects on and as of such date as if made on and as of the date of such re-designation (or, if stated to have been made expressly as of an earlier date, were true and correct in all material respects as of such date), (ii) no Default would exist and (iii) the Borrower complies with the requirements of Section 8.14, Section 8.18 and Section 9.12.

92

Any such designation shall be treated as a cash dividend in an amount equal to the fair market value of the Borrower's direct and indirect ownership interest in such Person.

Section 9.18. Amendments to Permitted Unsecured Notes Documents. The Borrower will not, nor will it permit any other Credit Party to, amend, modify, waive or otherwise change, consent or agree to any amendment, modification, waiver or other change to, any of the terms of the Permitted Unsecured Notes if (a) the effect thereof would be to shorten the maturity of the Permitted Unsecured Notes to a date that is earlier than 180 days after the Maturity Date, or (b) such action adds or amends any representations and warranties, covenants or events of default to be more restrictive or burdensome than this Agreement, in each case, as reasonably determined in good faith by the Borrower without this Agreement being contemporaneously amended to add similar provisions; provided that the foregoing shall not prohibit the execution of supplemental agreements to add guarantors if required by the terms thereof (provided that any such guarantor also guarantees the Obligations pursuant to a Guaranty Agreement and each of Borrower and such guarantor otherwise complies with Section 8.14(b)); and provided further that nothing in this Section 9.18 shall prohibit the Borrower from extending, refinancing, or renewing of the Permitted Unsecured Notes pursuant to Section 9.02(i).

Section 9.19. Use of Proceeds and Letters of Credit. The Borrower will not request any Borrowing or Letter of Credit, and no Credit Party shall use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (b) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, business or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States or (c) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

Section 9.20. Environmental Matters. The Borrower will not, nor will it permit any other Credit Party or any of its respective Subsidiaries to, undertake (or allow to be undertaken at any Property subject to its control) anything which will subject any such Property to any obligation to conduct any investigation or remediation under any applicable Environmental Laws or regarding any Hazardous Material that could reasonably be expected to have a Material Adverse Effect, it being understood that the foregoing will not be deemed to limit (a) any obligation under applicable Environmental Law to disclose any relevant facts, conditions or circumstances to the appropriate Governmental Authority as and to the extent required by any such Environmental Law, (b) any investigation or remediation required to be conducted under applicable Environmental Law, (c) any investigation reasonably requested by a prospective purchaser of any property, provided that such investigation is subject to conditions and



limitations (including indemnification and insurance obligations regarding the conduct of such investigation) that are reasonably protective of the Credit Parties, or (d) any investigation or remediation required pursuant to any lease agreements with the owners of any Properties.

Section 9.21. Amendments to Organizational Documents. The Borrower will not, nor will it permit any other Credit Party to, amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) its organizational documents in any respect that would reasonably be expected to be materially adverse to the interests of the Administrative Agent or the Revolving Credit Lenders without the consent of the Administrative Agent (such consent not to be unreasonably withheld, conditioned or delayed).

Section 9.22. Changes in Fiscal Periods; Accounting Change. The Borrower will not, nor will it permit any other Credit Party to, have its fiscal year end on a date other than December 31 or change its method of determining fiscal quarters or make a change in the method of accounting employed in the

preparation of the Financial Statements, unless required to conform to GAAP, without the consent of the Administrative Agent (such consent not to be unreasonably withheld, conditioned or delayed).

## **ARTICLE X**

### **EVENTS OF DEFAULT; REMEDIES**

Section 10.01. Events of Default. One or more of the following events shall constitute an “Event of Default”:

(a) the Borrower shall fail to pay any principal of any Loan or any Reimbursement Obligation when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof, by acceleration or otherwise.

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in Section 10.01(a)) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days.

(c) any representation or warranty made or deemed made by or on behalf of any Credit Party in or in connection with any Loan Document or any amendment or modification of any Loan Document or waiver under such Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made (or incorrect in any respect in the case of any such representation or warranty that is already qualified by materiality or by reference to Material Adverse Effect).

(d) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in Section 8.02, Section 8.03(a), Section 8.07, Section 8.14, Section 8.19, or Article IX.

(e) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 10.01(a), Section 10.01(b) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of thirty (30) days after the earlier to occur of (i) a Responsible Officer of the Borrower or any other any Credit Party having knowledge of such default or (ii) notice thereof from the Administrative Agent to the Borrower.

(f) any Credit Party shall fail to make any payment of principal or interest on any Material

Indebtedness, when and as the same shall become due and payable, and such failure to pay shall extend beyond any applicable period of grace.

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of such Material Indebtedness or any trustee or agent on its or their behalf to cause such Material Indebtedness to become due, or to require the Redemption thereof or any offer to Redeem to be made in respect thereof, prior to its scheduled maturity or require any Credit Party to make an offer in respect thereof.

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking liquidation, reorganization or other relief in respect of any Credit Party or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Credit Party or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered.

(a) any Credit Party shall voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 10.01(h), apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Credit Party or for a substantial part of its assets, file an answer admitting the material allegations of a petition filed against it in any such proceeding, make a general assignment for the benefit of creditors or take any action for the purpose of effecting any of the foregoing.

(b) any Credit Party shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(c) one or more judgments for the payment of money in an aggregate amount in excess of the greater of (i) \$25,000,000 and (ii) the least of (x) a dollar amount equal to five percent (5%) of the then effective Borrowing Base, (y) a dollar amount equal to five percent (5%) of the then effective Aggregate Elected Commitment Amount and (z) \$50,000,000 (in each case, to the extent not covered by independent third party insurance provided by insurers of the highest claims paying rating or financial strength as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) shall be rendered against any Credit Party or any combination thereof and the same shall remain undischarged, unvacated or unbonded for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Credit Party to enforce any such judgment.

(d) the Loan Documents after delivery thereof shall for any reason cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Credit Parties party thereto or shall be repudiated by any of them.

(e) a Change in Control shall occur.

(f) The occurrence of any Termination Event that results in, or could reasonably be expected to result in, liability of any Credit Party or ERISA Affiliate in excess of \$25,000,000.

- (g) Any failure to cure any Borrowing Base deficiency in accordance with Section

3.03.

(h) The Administrative Agent shall fail to have a first priority, perfected Lien (subject only to Permitted Liens) in any material portion of the Collateral as determined by the Administrative Agent.

Section 10.02. Remedies.

(a) In the case of an Event of Default other than one described in Section 10.01(h), Section 10.01(i) and Section 10.01(j), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may, and at the request of the Majority Revolving Credit Lenders, shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: terminate the Commitments, and thereupon the Commitments shall terminate immediately, and declare

the Notes and the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Credit Parties accrued hereunder and under the Notes and the other Loan Documents (including, without limitation, the payment of cash collateral to secure the Letter of Credit Obligations in an amount equal to the greater of (i) 105% of the amount of such Letter of Credit Obligations and (ii) 105% of the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit), shall become due and payable immediately, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by the Credit Parties; and in case of an Event of Default described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), the Commitments shall automatically terminate and the Notes and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and the other obligations of the Credit Parties accrued hereunder and under the Notes and the other Loan Documents (including, without limitation, the payment of cash collateral to secure the Letter of Credit Obligations in an amount equal to the greater of (A) 105% of the amount of such Letter of Credit Obligations and (B) 105% of the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit), shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party.

(b) In the case of the occurrence of an Event of Default, the Administrative Agent and the Lenders will have all other rights and remedies available at law and equity.

(c) All proceeds realized from the liquidation or other disposition of Collateral or otherwise received after maturity of the Notes, whether by acceleration or otherwise, shall be applied:

(i) first, to payment or reimbursement of that portion of the Obligations constituting fees, expenses and indemnities payable to the Administrative Agent in its capacity as such;

(ii) second, *pro rata* to payment or reimbursement of that portion of the Obligations constituting fees, expenses and indemnities payable to the Lenders as permitted hereunder;

(iii) third, *pro rata* to payment of accrued interest on the Revolving Credit Loans and Swing Line Loans;

(iv) fourth, *pro rata* to payment of (A) principal outstanding on the Revolving Credit Loans and Swing Line Loans and to serve as cash collateral to secure outstanding Letter of Credit Obligations,

(B) Obligations under Secured Swap Agreements then due and owing to Secured Swap Parties and (C) liabilities to any Cash Management Bank arising in connection with Secured Cash Management Agreements;

(v) fifth, *pro rata* to any other Obligations;

(vi) sixth, any excess, after all of the Obligations shall have been indefeasibly paid in full in cash, shall be paid to the Borrower or as otherwise required by any Governmental Requirement.

Notwithstanding the foregoing, Excluded Swap Obligations with respect to any Guarantor shall not be paid with amounts received from such Guarantor or its assets, but appropriate adjustments shall be made with respect to payments from other Credit Parties to preserve the allocation to the Obligations otherwise set forth above in this Section 10.02.

## ARTICLE XI THE AGENTS

Section 11.01. Appointment of Administrative Agent. Each Lender and the holder of each Note (if issued) irrevocably appoints and authorizes Administrative Agent to act on behalf of such Lender or holder under this Agreement and the other Loan Documents and to exercise such powers hereunder and thereunder as are specifically delegated to Administrative Agent by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto, including without limitation the power to execute or authorize the execution of financing or similar statements or notices, and other documents. In performing its functions and duties under this Agreement, Administrative Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for any Credit Party.

Section 11.02. [Reserved].

Section 11.03. Scope of Administrative Agent's Duties. Administrative Agent shall have no duties or responsibilities except those expressly set forth herein, and shall not, by reason of this Agreement or by the arranging and other services provided by the Administrative Agent, Co-Documentation Agent, Arrangers or Joint Bookrunners or otherwise, have a fiduciary relationship with any Lender (and no implied covenants or other obligations shall be read into this Agreement against Administrative Agent). None of Administrative Agent, its Affiliates nor any of their respective directors, officers, employees or agents shall be liable to any Lender for any action taken or omitted to be taken by it or them under this Agreement or any document executed pursuant hereto, or in connection herewith or therewith with the consent or at the request of the Required (or all of Lenders for those acts requiring consent of all of Lenders) (except for its or their own willful misconduct or gross negligence), nor be responsible for or have any duties to ascertain, inquire into or verify (a) any recitals or warranties made by any Credit Party or any Affiliate thereof, or any officer thereof contained herein or therein, (b) the effectiveness, enforceability, validity or due execution of this Agreement or any document executed pursuant hereto or any security thereunder, (c) the performance by the Credit Parties of their respective obligations hereunder or thereunder, or (d) the satisfaction of any condition hereunder or thereunder, including without limitation in connection with the making of any Loan or the issuance of any Letter of Credit. Administrative Agent and its Affiliates shall be entitled to rely upon any certificate, notice, document or other communication (including any cable, telegraph, telex, facsimile transmission or oral communication) believed by it to be genuine and correct and to have been sent or given by or on behalf of a proper person. Administrative Agent may treat the payee of any Note as the holder thereof. Administrative Agent may employ agents and may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable to Lenders (except as to money or property

received by them or their authorized agents), for the negligence or misconduct of any such agent selected by it with reasonable care or for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 11.04. Successor Administrative Agent. Administrative Agent may resign as such at any time upon at least thirty (30) days prior notice to Borrower and each of Lenders. If Administrative Agent at any time shall resign or if the office of Administrative Agent shall become vacant for any other reason, Majority Revolving Credit Lenders shall, by written instrument, appoint successor agent(s) ("Successor Administrative Agent") satisfactory to such Majority Revolving Credit Lenders and, so long as no Default or Event of Default has occurred and is continuing, to Borrower (which approval shall not be unreasonably withheld or delayed); provided, however that any such Successor Administrative Agent shall be a bank or a trust company or other financial institution which maintains an office in the United States, or a commercial bank organized under the laws of the United States or any state thereof, or any Affiliate of such bank or trust company or other financial institution which is engaged in the banking business, and shall have a combined capital and surplus of at least \$500,000,000. If the Person serving as Administrative Agent is a

97

Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Revolving Credit Lenders may, to the extent permitted by applicable law, by notice in writing to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a Successor Administrative Agent. If no such Successor Administrative Agent shall have been so appointed by the Required Revolving Credit Lenders and shall have accepted such appointment within thirty (30) days (or such earlier day as shall be agreed by the Required Revolving Credit Lenders) (the "Removal Effective Date"), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date. Such Successor Administrative Agent shall thereupon become Administrative Agent hereunder, as applicable, and Administrative Agent shall deliver or cause to be delivered to any successor agent such documents of transfer and assignment as such Successor Administrative Agent may reasonably request. If a Successor Administrative Agent is not so appointed or does not accept such appointment before the resigning or removed Administrative Agent's resignation or removal becomes effective, the resigning or removed Administrative Agent may appoint a temporary successor to act until such appointment by the Majority Revolving Credit Lenders or Required Revolving Credit Lenders, as applicable, and, if applicable, Borrower, is made and accepted, or if no such temporary successor is appointed as provided above by the resigning or removed Administrative Agent, the Majority Revolving Credit Lenders shall thereafter perform all of the duties of the resigning or removed Administrative Agent hereunder until such appointment by the Majority Revolving Credit Lenders and, if applicable, Borrower, is made and accepted. Such Successor Administrative Agent shall succeed to all of the rights and obligations of the resigning or removed Administrative Agent as if originally named. The resigning or removed Administrative Agent shall duly assign, transfer and deliver to such Successor Administrative Agent all moneys at the time held by the resigning or removed Administrative Agent hereunder after deducting therefrom its expenses for which it is entitled to be reimbursed hereunder. Upon such succession of any such Successor Administrative Agent, the resigning or removed Administrative Agent shall be discharged from its duties and obligations, in its capacity as Administrative Agent hereunder, except for its gross negligence or willful misconduct arising prior to its resignation or removal hereunder, and the provisions of this Article XI shall continue in effect for the benefit of the resigning or removed Administrative Agent in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Section 11.05. Credit Decisions. Each Lender acknowledges that it has, independently of Administrative Agent and each other Lender and based on the financial statements of Credit Parties and such other documents,

information and investigations as it has deemed appropriate, made its own credit decision to extend credit hereunder from time to time. Each Lender also acknowledges that it will, independently of Administrative Agent and each other Lender and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement, any Loan Document or any other document executed pursuant hereto.

Section 11.06. Authority of Administrative Agent to Enforce This Agreement. Each Lender, subject to the terms and conditions of this Agreement, grants Administrative Agent full power and authority as attorney-in-fact to institute and maintain actions, suits or proceedings for the collection and enforcement of any Obligations outstanding under this Agreement or any other Loan Document and to file such proofs of debt or other documents as may be necessary to have the claims of Lenders allowed in any proceeding relative to the Credit Parties, or their respective creditors or affecting their respective properties, and to take such other actions which Administrative Agent considers to be necessary or desirable for the protection, collection and enforcement of the Notes, this Agreement or the other Loan Documents.

Section 11.07. Indemnification of Administrative Agent. Lenders agree (which agreement shall survive the expiration or termination of this Agreement) to indemnify Administrative Agent and its Affiliates (to the extent not reimbursed by the Credit Parties, but without limiting any obligation of any

98

Credit Party to make such reimbursement), ratably according to their respective Applicable Revolving Credit Percentage, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever (including, without limitation, reasonable fees and expenses of house and outside counsel) which may be imposed on, incurred by, or asserted against Administrative Agent and its Affiliates in any way relating to or arising out of this Agreement, any of the other Loan Documents or the transactions contemplated hereby or any action taken or omitted by Administrative Agent and its Affiliates under this Agreement or any of the Loan Documents; provided, however, that no Lender shall be liable for any portion of such claims, damages, losses, liabilities, costs or expenses resulting from Administrative Agent's or its Affiliate's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse Administrative Agent and its Affiliates promptly upon demand for its ratable share of any reasonable out-of-pocket expenses (including, without limitation, reasonable fees and expenses of house and outside counsel) incurred by Administrative Agent and its Affiliates in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any of the other Loan Documents, to the extent that Administrative Agent and its Affiliates are not reimbursed for such expenses by Borrower, but without limiting the obligation of the Credit Parties to make such reimbursement. Each Lender agrees to reimburse Administrative Agent and its Affiliates promptly upon demand for its ratable share of any amounts owing to Administrative Agent and its Affiliates by Lenders pursuant to this Section, provided that, if Administrative Agent or its Affiliates are subsequently reimbursed by Borrower for such amounts, they shall refund to Lenders on a *pro rata* basis the amount of any excess reimbursement. If the indemnity furnished to Administrative Agent and its Affiliates under this Section shall become impaired as determined in Administrative Agent's reasonable judgment or Administrative Agent shall elect in its sole discretion to have such indemnity confirmed by Lenders (as to specific matters or otherwise), Administrative Agent shall give notice thereof to each Lender and, until such additional indemnity is provided or such existing indemnity is confirmed, Administrative Agent may cease, or not commence, to take any action. Any amounts paid by Lenders hereunder to Administrative Agent or its Affiliates shall be deemed to

constitute part of the Obligations hereunder.

Section 11.08. Knowledge of Default. It is expressly understood and agreed that Administrative Agent shall be entitled to assume that no Default or Event of Default has occurred and is continuing, unless the officers of Administrative Agent immediately responsible for matters concerning this Agreement shall have received a written notice from a Lender or a Credit Party specifying such Default or Event of Default and stating that such notice is a “notice of default”. Upon receiving such a notice, Administrative Agent shall promptly notify each Lender of such Default or Event of Default and provide each Lender with a copy of such notice and shall endeavor to provide such notice to Lenders within three (3) Business Days (but without any liability whatsoever in the event of its failure to do so). Administrative Agent shall also furnish Lenders, promptly upon receipt, with copies of all other notices or other information required to be provided by Borrower hereunder.

Section 11.09. Administrative Agent’s Authorization: Action by Lenders. Except as otherwise expressly provided herein, whenever Administrative Agent is authorized and empowered hereunder on behalf of Lenders to give any approval or consent, or to make any request, or to take any other action on behalf of Lenders (including without limitation the exercise of any right or remedy hereunder or under the other Loan Documents), Administrative Agent shall be required to give such approval or consent, or to make such request or to take such other action only when so requested in writing by the Majority Revolving Credit Lenders, any other specified applicable Revolving Credit Percentage of Lenders or all Lenders, as applicable hereunder. Action that may be taken by the Majority Revolving Credit Lenders, any other specified Applicable Revolving Credit Percentage of Lenders or all of Lenders, as the case may be (as provided for hereunder) may be taken (a) pursuant to a vote of the requisite percentages of Lenders as required hereunder at a meeting (which may be held by telephone conference call), provided that

99

Administrative Agent exercises good faith, diligent efforts to give all of Lenders reasonable advance notice of the meeting, or (b) pursuant to the written consent of the requisite percentages of Lenders as required hereunder, provided that all of Lenders are given reasonable advance notice of the requests for such consent.

Section 11.10. Enforcement Actions by Administrative Agent. Except as otherwise expressly provided under this Agreement or in any of the other Loan Documents and subject to the terms hereof, Administrative Agent will take such action, assert such rights and pursue such remedies under this Agreement and the other Loan Documents as the Majority Revolving Credit Lenders, any other specified Applicable Revolving Credit Percentage or all of Lenders, as the case may be (as provided for hereunder), shall direct; provided, however, that Administrative Agent shall not be required to act or omit to act if, in the reasonable judgment of Administrative Agent, such action or omission may expose Administrative Agent to personal liability for which Administrative Agent has not been satisfactorily indemnified hereunder or is contrary to this Agreement, any of the Loan Documents or applicable law. Except as expressly provided above or elsewhere in this Agreement or the other Loan Documents, no Lender (other than Administrative Agent, acting in its capacity as agent) shall be entitled to take any enforcement action of any kind under this Agreement or any of the other Loan Documents.

Section 11.11. Collateral Matters.

(a) Administrative Agent is authorized on behalf of all Lenders, without the necessity of any notice to or further consent from Lenders, from time to time to take any action with respect to any Collateral or the Security Instruments which may be necessary to perfect and maintain a perfected security interest in and

Liens upon the Collateral granted pursuant to the Loan Documents.

(b) Lenders irrevocably authorize Administrative Agent, in its reasonable discretion,

(i) to release or terminate any Lien granted to or held by Administrative Agent upon any Collateral (A) upon termination of the Aggregate Maximum Credit Amount and payment in full of all Obligations payable under this Agreement and under any other Loan Document; (B) constituting Property (including, without limitation, Equity Interests in any Person) sold or to be sold or disposed of as part of or in connection with any disposition (whether by sale, by merger or by any other form of transaction and including the Property of any Credit Party that is disposed of as permitted hereby) permitted in accordance with the terms of this Agreement (including, without limitation, any Property of a Credit Party that is redesignated as an Unrestricted Subsidiary in accordance with Section 9.17(b)); (C) constituting property in which the Credit Parties owned no interest at the time the Lien was granted or at any time thereafter; or

(A) if approved, authorized or ratified in writing by the Majority Revolving Credit Lenders, or all Lenders, as the case may be, as provided in Section 12.02; (ii) to subordinate the Lien granted to or held by Administrative Agent on any Collateral to any other holder of a Lien on such Collateral which is permitted by Section 9.03(c) and Section 9.03(f) hereof; and (iii) if all of the Equity Interests held by the Credit Parties in any Person are sold or otherwise transferred to any transferee other than another Credit Party as part of or in connection with any disposition (whether by sale, by merger or by any other form of transaction) permitted in accordance with the terms of this Agreement, to release such Person from all of its obligations under the Loan Documents (including, without limitation, under any Guaranty Agreement). Upon request by Administrative Agent at any time, Lenders will confirm in writing Administrative Agent's authority to release particular types or items of Collateral pursuant to this Section 11.11(b).

Section 11.12. Agents in their Individual Capacities. JPMorgan Chase Bank, N.A. and its Affiliates, successors and assigns shall each have the same rights and powers hereunder as any other Lender and may exercise or refrain from exercising the same as though such Lender were not Administrative Agent or Co-Documentation Agent. JPMorgan Chase Bank, N.A. and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with the Credit Parties as if such Lender were not acting

100

as Administrative Agent or Co-Documentation Agent hereunder, and may accept fees and other consideration therefor without having to account for the same to Lenders.

Section 11.13. Administrative Agent's Fees. Until the Obligations have been repaid and discharged in full and no commitment to extend any credit hereunder is outstanding, Borrower shall pay to Administrative Agent, as applicable, any agency or other fee(s) set forth (or to be set forth from time to time) in the applicable Fee Letter on the terms set forth therein. Subject to Section 12.12, the agency fees referred to in this Section 11.13 shall not be refundable under any circumstances.

Section 11.14. Co-Documentation Agent or other Titles. Any Lender identified on the facing page or signature page of this Agreement or in any amendment hereto or as designated with consent of Administrative Agent in any assignment agreement as Lead Arranger, Co-Documentation Agent, Joint Bookrunner or any similar titles, shall not have any right, power, obligation, liability, responsibility or duty under this Agreement as a result of such title other than those applicable to all Lenders as such. Without limiting the foregoing, Lenders so identified shall not have or be deemed to have any fiduciary relationship with any Lender as a result of such title. Each Lender



acknowledges that it has not relied, and will not rely, on Lender so identified in deciding to enter into this Agreement or in taking or not taking action hereunder.

Section 11.15. No Reliance on Administrative Agent's Customer Identification Program

(a) Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on Administrative Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA Patriot Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any Credit Party, any of their respective Affiliates or agents, the Loan Documents or the transactions hereunder: (i) any identify verification procedures, (ii) any record keeping, (iii) any comparisons with government lists, (iv) any customer notices or (v) any other procedures required under the CIP Regulations or such other laws.

(b) Each Lender or assignee or participant of a Lender that is not organized under the laws of the United States or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA Patriot Act and the applicable regulations because it is both (i) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to Administrative Agent the certification, or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the USA Patriot Act and the applicable regulations: (A) within 10 days after the Effective Date, and (B) at such other times as are required under the USA Patriot Act.

**ARTICLE XII MISCELLANEOUS**

Section 12.01. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to Section 12.01(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, to the addresses set forth on Schedule 12.01, and, if to any Lender other than JPMorgan Chase Bank, N.A., to it at its address (or telecopy number) set forth in its

101

Administrative Questionnaire. The Borrower shall be entitled to rely on the most recent Administrative Questionnaire for each Lender furnished to it by the Administrative Agent for the purpose of providing any notice to the Lenders in accordance herewith.

(a) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II, Article III, Article IV and Article V unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to

it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(b) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 12.02. Waivers: Amendments.

(a) No failure on the part of the Administrative Agent, the Issuing Bank or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege, or any abandonment or discontinuance of steps to enforce such right, power or privilege, under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Administrative Agent, any other Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by Section 12.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any other Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof nor any Security Instrument nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Majority Revolving Credit Lenders or by the Borrower and the Administrative Agent with the consent of the Majority Revolving Credit Lenders; provided that no such agreement shall increase the Commitment or the Maximum Credit Amount or postpone the scheduled date of expiration of any Commitment of any Revolving Credit Lender without the written consent of such Revolving Credit Lender, increase the Borrowing Base without the written consent of each Revolving Credit Lender (other than any Defaulting Lender), decrease or maintain the Borrowing Base without the consent of the Required Revolving Credit Lenders, or modify Section 2.06 in any manner without the consent of the Required Revolving Credit Lenders; provided that a Scheduled Redetermination may be postponed by the Required Revolving Credit Lenders, reduce the principal amount of any Loan or Reimbursement Obligation or reduce the rate of interest thereon, or reduce any fees payable hereunder, or reduce any other Obligations hereunder or under any other Loan Document, without the written consent of each Lender affected thereby, postpone the scheduled date of payment or prepayment of the principal amount of any Loan or Reimbursement Obligation, or any interest thereon, or any fees payable hereunder,

or any other Obligations hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Termination Date without the written consent of each Lender affected thereby, change Section 5.01(b) or any other term or condition hereof in a manner that would alter the *pro rata* sharing of payments required thereby, without the written consent of each Lender, waive or amend Section 3.03(c), Section 6.01 or Section 10.02(c), without the written consent of each Lender, release any Guarantor (except as set forth in the Guaranty Agreement or this Agreement or as a result of a transaction permitted under Section 9.11), release all or substantially all of the Collateral (other than as provided in Section 11.11), or reduce the percentage set forth in Section 8.14(a) to less than 85%, without the written consent of each Lender, or impose any greater restriction on the ability of any Revolving Credit Lender to assign any of its rights or obligations

hereunder without the written consent of, if such Lender is a Revolving Credit Lender, the Majority Revolving Credit Lenders, or change any of the provisions of this Section 12.02(b) or the definitions of “Applicable Revolving Credit Percentage”, “Majority Revolving Credit Lenders”, “Required Revolving Credit Lenders” or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or under any other Loan Documents or make any determination or grant any consent hereunder or any other Loan Documents, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, any other Agent, the Issuing Bank or the Swing Line Lender hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, such other Agent, the Issuing Bank or the Swing Line Lender, as the case may be. Notwithstanding anything to the contrary in this Agreement, fees payable hereunder to any Lender may be reduced with the consent of the Administrative Agent and the affected Lender. Notwithstanding the foregoing, any supplement to Schedule 8.14 shall be effective simply by delivering to the Administrative Agent a supplemental schedule clearly marked as such and, upon receipt, the Administrative Agent will promptly deliver a copy thereof to the Lenders.

Section 12.03. Expenses, Indemnity; Damage Waiver.

(a) The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including, without limitation, the reasonable fees, charges and disbursements of counsel and other outside consultants for the Administrative Agent, the reasonable travel, photocopy, mailing, courier, telephone and other similar expenses, and the cost of environmental invasive and non-invasive assessments and audits and surveys and appraisals, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration (both before and after the execution hereof and including advice of counsel to the Administrative Agent as to the rights and duties of the Administrative Agent and the Lenders with respect thereto) of this Agreement and the other Loan Documents and any amendments, modifications or waivers of or consents related to the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), all costs, expenses, Taxes, assessments and other charges incurred by any Agent in connection with any filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, all out-of-pocket expenses incurred by any Agent or the Issuing Bank or, during the continuance of any Event of Default, by any Lender, including the fees, charges and disbursements of any counsel for any Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section 12.03, or in connection with the Loans made or Letters of Credit issued hereunder, including, without limitation, all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) THE BORROWER SHALL, AND SHALL CAUSE EACH OTHER CREDIT PARTY TO, INDEMNIFY EACH AGENT, THE ARRANGERS, THE ISSUING BANK AND EACH LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN “INDEMNITEE”) AGAINST, AND DEFEND AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OR THE PARTIES TO ANY OTHER LOAN DOCUMENT OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER

OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR BY ANY OTHER LOAN DOCUMENT, THE FAILURE OF ANY CREDIT PARTY TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF ANY CREDIT PARTY SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM, INCLUDING, WITHOUT LIMITATION, ANY REFUSAL BY THE ISSUING BANK TO HONOR A DEMAND FOR PAYMENT UNDER A LETTER OF CREDIT IF THE DOCUMENTS PRESENTED IN CONNECTION WITH SUCH DEMAND DO NOT STRICTLY COMPLY WITH THE TERMS OF SUCH LETTER OF CREDIT, OR THE PAYMENT OF A DRAWING UNDER ANY LETTER OF CREDIT NOTWITHSTANDING THE NON-COMPLIANCE, NON-DELIVERY OR OTHER IMPROPER PRESENTATION OF THE DOCUMENTS PRESENTED IN CONNECTION THEREWITH, ANY OTHER ASPECT OF THE LOAN DOCUMENTS, THE OPERATIONS OF THE BUSINESS OF THE CREDIT PARTIES AND THEIR RESPECTIVE SUBSIDIARIES BY THE CREDIT PARTIES AND THEIR RESPECTIVE SUBSIDIARIES, ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, ANY ENVIRONMENTAL LAW APPLICABLE TO THE CREDIT PARTIES, ANY OF THEIR RESPECTIVE SUBSIDIARIES OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING, THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT OF HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, THE BREACH OR NON-COMPLIANCE BY ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES WITH ANY ENVIRONMENTAL LAW APPLICABLE TO ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, THE PAST OWNERSHIP BY ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY OF THEIR PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT, DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL OF HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO ANY CREDIT PARTY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES, OR ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING

RELATING TO ANY OF THE FOREGOING, AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, AND SUCH INDEMNITY SHALL EXTEND TO EACH INDEMNITEE NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNITEES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNITEES; PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL

MISCONDUCT OF SUCH INDEMNITEE. THIS Section 12.02(b) SHALL NOT APPLY WITH RESPECT TO TAXES OTHER THAN TAXES THAT REPRESENT LOSSES, CLAIMS, DAMAGES, ETC. ARISING FROM ANY NON-TAX CLAIM.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to any Agent, the Arrangers or the Issuing Bank under Section 12.03(a) or (b), each Revolving Credit Lender severally agrees to pay to such Agent, the Arrangers or the Issuing Bank, as the case may be, such Lender's Applicable Revolving Credit Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent, the Arrangers or the Issuing Bank in its capacity as such.

(d) TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO PARTY TO THIS AGREEMENT SHALL ASSERT, AND EACH PARTY HEREBY WAIVES, ANY CLAIM AGAINST ANY OTHER PARTY HERETO, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE TRANSACTIONS, ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREOF, PROVIDED THAT NOTHING HEREIN SHALL LIMIT ANY INDEMNITEE'S INDEMNIFICATION RIGHTS.

(e) All amounts due under this Section 12.03 shall be payable not later than ten (10) days after written demand therefor.

#### Section 12.04. Successors and Assigns.

(a) 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 (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 12.04. 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 (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in Section 12.04(b)) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in Section 12.04(b)(ii), any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower; provided that no consent of the Borrower shall be required if such assignment is to a Lender, an Affiliate of a Lender that is actively engaged in the making of revolving loans, an Approved Fund or if an Event of Default has occurred and is continuing; and

(B) the Administrative Agent (and in the case of an assignment any Lender's Commitment or Revolving Credit Loans, the Issuing Bank and the Swing Line Lender); provided that no

consent of the Administrative Agent, Issuing Bank or Swing Line Lender shall be required for an assignment to an assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent; provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) 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;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

(E) no such assignment shall be made to a natural person, an Industry Competitor, any Credit Party, any Affiliate of any Credit Party, or any of their respective Subsidiaries; and

(F) no such assignment shall be made to a Defaulting Lender without the consent of the Administrative Agent, and in the case of an assignment of a Commitment, the Issuing Bank and the Swing Line Lender.

(iii) Subject to Section 12.04(b)(v) and the acceptance and recording thereof by the Administrative Agent, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, 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, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption 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 of Section 5.01, Section 5.02, Section 5.03 and Section 12.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.04 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 (b).

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Maximum Credit Amount of, and principal amount (and stated interest) of the Loans and Reimbursement Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose

name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice. In connection with any changes to the Register, if necessary, the Administrative Agent will reflect the revisions on Schedule 1.2 and forward a copy of such revised Schedule 1.2 to the Borrower, the Issuing Bank and each Lender.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 12.04(b)(ii)(C) and any written consent to such assignment required by Section 12.04(b)(i), the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 12.04(b).

(vi) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that such Lender's obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and no such participation may be sold to a natural Person or an Industry Competitor. 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 proviso to Section 12.02 that affects such Participant. In addition such agreement must provide that the Participant be bound by the provisions of Section 12.03. Subject to Section 12.04(b)(vii), the Borrower agrees that each Participant shall be entitled to the benefits of Section 5.01, Section 5.02 and Section 5.03 (subject to the requirements and limitations therein, including the requirements under Section 5.03(e) (it being understood that the documentation required under Section 5.03(d) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.04(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.08 as though it were a Lender, provided such Participant agrees to be subject to Section 5.01(c) as though it were a Lender.

(vii) A Participant shall not be entitled to receive any greater payment under Section 5.01 or Section 5.03 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 the Borrower's prior written consent, or to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation.

(viii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, 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 (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan

Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit 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, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) 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, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central bank, and this Section 12.04(c) shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(d) Notwithstanding any other provisions of this Section 12.04, no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Borrower to file a registration statement with the SEC or to qualify the Loans under the “Blue Sky” laws of any state.

#### Section 12.05. Survival; Revival; Reinstatement.

(a) All covenants, agreements, representations and warranties made by the Credit Parties herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any other Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 5.01, Section 5.02, Section 5.03 and Section 12.03 and Article XI shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement, any other Loan Document or any provision hereof or thereof.

(b) To the extent that any payments on the Obligations or proceeds of any Collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Obligations so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Administrative Agent’s and the Lenders’ Liens, security interests, rights, powers and remedies under this Agreement and each Loan Document shall continue in full force and effect. In such event, each Loan Document shall be automatically reinstated and the Credit Parties shall take such action as may be reasonably requested by the Administrative Agent and the Lenders to effect such reinstatement.

#### Section 12.06. Counterparts; Integration; Effectiveness.



(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

(b) This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof and thereof. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO 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.

(c) Except as provided in Section 6.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy, facsimile, as an attachment to an email or other similar electronic means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 12.07. Severability. Any provision of this Agreement or any other Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof or thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 12.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations (of whatsoever kind, including, without limitations obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of any Credit Party against any of and all the obligations of any Credit Party owed to such Lender now or hereafter existing under this Agreement or any other Loan Document, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 12.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender or its Affiliates may have.

Section 12.09. GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS; WAIVER OF TRIAL BY JURY.

(a) THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS (AND THE BORROWER SHALL CAUSE EACH OTHER CREDIT PARTY TO SUBMIT) FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR

RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT; PROVIDED, THAT NOTHING CONTAINED HEREIN OR IN ANY OTHER LOAN DOCUMENT WILL PREVENT ANY PARTY FROM BRINGING ANY ACTION TO ENFORCE ANY AWARD OR JUDGMENT OR EXERCISE ANY RIGHT UNDER THE LOAN DOCUMENTS IN ANY OTHER FORUM IN WHICH JURISDICTION CAN BE ESTABLISHED. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM *NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NON- EXCLUSIVE AND DOES NOT PRECLUDE A PARTY FROM OBTAINING JURISDICTION OVER ANOTHER PARTY IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) EACH PARTY HEREBY (i) IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN; (ii) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (iii) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OF 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, AND (iv) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 12.09.

(d) EACH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT (i) SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO IT AT ITS ADDRESS

SET FORTH IN Section 12.01 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO AND (ii) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 12.10. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 12.11. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees

to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (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), to the extent requested by any regulatory authority, to the extent required by applicable laws or regulations or by any subpoena or similar legal process, to any other party to this Agreement or any other Loan Document, in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, subject to an agreement containing provisions substantially the same as those of this Section 12.11, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or any actual or prospective counterparty (or its advisors) to any Swap Agreement relating to any Credit Party and its obligations, with the consent of the Borrower or to the extent such Information becomes publicly available other than as a result of a breach of this Section 12.11 or becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower. For the purposes of this Section 12.11, "Information" means all information received from the Credit Parties relating to the Credit Parties and their businesses, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by any Credit Party; provided that, in the case of information received from the Borrower or any Subsidiary 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 12.11 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 12.12. Interest Rate Limitation. It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Notes, it is agreed as follows: the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Loan Documents or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the

111

maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Obligations (or, to the extent that the principal amount of the Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated,

allocated and spread throughout the stated term of the Loans until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time the amount of interest payable to any Lender on any date shall be computed at the Highest Lawful Rate applicable to such Lender pursuant to this Section 12.12 and in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 12.12.

Section 12.13. EXCULPATION PROVISIONS.

(a) EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS".

(b) THE BORROWER HEREBY ACKNOWLEDGES THAT (I) THE CREDIT FACILITIES PROVIDED FOR HEREUNDER AND ANY RELATED ARRANGING OR OTHER SERVICES IN CONNECTION THEREWITH (INCLUDING IN CONNECTION WITH ANY AMENDMENT, WAIVER OR OTHER MODIFICATION HEREOF OR OF ANY OTHER LOAN DOCUMENT) ARE AN ARM'S-LENGTH COMMERCIAL TRANSACTION BETWEEN THE BORROWER AND THE OTHER CREDIT PARTIES, ON THE ONE HAND, AND THE ADMINISTRATIVE AGENT THE LENDERS AND THE ISSUING BANK, ON THE OTHER HAND, AND THE BORROWER AND THE OTHER CREDIT PARTIES ARE CAPABLE OF EVALUATING AND UNDERSTANDING AND UNDERSTAND AND ACCEPT THE TERMS, RISKS AND CONDITIONS OF THE TRANSACTIONS CONTEMPLATED HEREBY AND BY THE OTHER LOAN DOCUMENTS (INCLUDING ANY AMENDMENT, WAIVER OR OTHER MODIFICATION HEREOF OR THEREOF); (II) IN CONNECTION WITH THE PROCESS LEADING TO SUCH

112

TRANSACTION, EACH OF THE ADMINISTRATIVE AGENT, THE LENDERS AND THE ISSUING BANK IS AND HAS BEEN ACTING SOLELY AS A PRINCIPAL AND IS NOT THE FINANCIAL ADVISOR, AGENT OR FIDUCIARY FOR ANY OF THE BORROWER, ANY OTHER CREDIT PARTY OR ANY OF THEIR

RESPECTIVE AFFILIATES, EQUITY HOLDERS, CREDITORS OR EMPLOYEES OR ANY OTHER PERSON; (III) NEITHER THE ADMINISTRATIVE AGENT, ANY OTHER AGENT, ANY ARRANGER, ANY LENDER NOR ANY ISSUING BANK HAS ASSUMED OR WILL ASSUME AN ADVISORY, AGENCY OR FIDUCIARY RESPONSIBILITY IN FAVOR OF THE BORROWER OR ANY OTHER CREDIT PARTY WITH RESPECT TO ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THE PROCESS LEADING THERETO, INCLUDING WITH RESPECT TO ANY AMENDMENT, WAIVER OR OTHER MODIFICATION HEREOF OR OF ANY OTHER LOAN DOCUMENT (IRRESPECTIVE OF WHETHER THE ADMINISTRATIVE AGENT, ANY OTHER AGENT, ANY ARRANGER, ANY LENDER OR ANY ISSUING BANK HAS ADVISED OR IS CURRENTLY ADVISING ANY OF THE BORROWER, THE OTHER CREDIT PARTIES OR THEIR RESPECTIVE AFFILIATES ON OTHER MATTERS) AND NONE OF THE ADMINISTRATIVE AGENT, ANY OTHER AGENT, ANY ARRANGER, ANY LENDER OR ANY ISSUING BANK HAS ANY OBLIGATION TO ANY OF THE BORROWER, THE OTHER CREDIT PARTIES OR THEIR RESPECTIVE AFFILIATES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE, EXCEPT THOSE OBLIGATIONS EXPRESSLY SET FORTH HEREIN AND IN THE OTHER LOAN DOCUMENTS; (IV) THE BORROWER, THE OTHER CREDIT PARTIES AND THEIR RESPECTIVE AFFILIATES WILL NOT ASSERT ANY CLAIM BASED ON ALLEGED BREACH OF FIDUCIARY DUTY; (V) THE ADMINISTRATIVE AGENT AND ITS AFFILIATES, EACH LENDER AND ITS AFFILIATES AND EACH ISSUING BANK AND ITS AFFILIATES MAY BE ENGAGED IN A BROAD RANGE OF TRANSACTIONS THAT INVOLVE INTERESTS THAT DIFFER FROM THOSE OF THE BORROWER, THE OTHER CREDIT PARTIES AND THEIR RESPECTIVE AFFILIATES, AND NONE OF THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY ISSUING BANK HAS ANY OBLIGATION TO DISCLOSE ANY OF SUCH INTERESTS BY VIRTUE OF ANY ADVISORY, AGENCY OR FIDUCIARY RELATIONSHIP; AND (VI) NEITHER THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY ISSUING BANK HAS PROVIDED AND NONE WILL PROVIDE ANY LEGAL, ACCOUNTING, REGULATORY OR TAX ADVICE WITH RESPECT TO ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY (INCLUDING ANY AMENDMENT, WAIVER OR OTHER MODIFICATION HEREOF OR OF ANY OTHER LOAN DOCUMENT) AND THE BORROWER HAS CONSULTED ITS OWN LEGAL, ACCOUNTING, REGULATORY AND TAX ADVISORS TO THE EXTENT IT HAS DEEMED APPROPRIATE. THE BORROWER HEREBY WAIVES AND RELEASES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIMS THAT IT MAY HAVE AGAINST THE ADMINISTRATIVE AGENT WITH RESPECT TO ANY BREACH OR ALLEGED BREACH OF AGENCY OR FIDUCIARY DUTY.

Section 12.14. Collateral Matters; Swap Agreements; Cash Management. The benefit of the Security Instruments and of the provisions of this Agreement relating to any Collateral securing the Obligations shall also extend to and be available to Secured Swap Parties and to the Cash Management Banks on a *pro rata* basis (but subject to the terms of the Loan Documents, including, without limitation, provisions thereof relating to the application and priority of payments to the Persons entitled thereto) in respect of any obligations of the Borrower or any of its Subsidiaries which arise under Secured Swap Agreements or Secured Cash Management Agreements. No Secured Swap Party shall have any voting rights under any Loan Document as a result of the existence of obligations owed to it under any such Swap Agreements. No Cash Management Bank shall have any voting rights under any Loan Document as a result of the existence of obligations owed to it under any such Secured Cash Management Agreements.

Section 12.15. No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans and the Issuing Bank to issue, amend, renew or extend Letters of Credit hereunder are solely for the benefit of the Borrower, and no other Person (including, without limitation, any Subsidiary of the Borrower, any obligor, contractor, subcontractor, supplier or materialmen) shall have any

rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent, any other Agent, the Issuing Bank or any Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.16. USA Patriot Act Notice. Pursuant to Section 326 of the USA Patriot Act, the Administrative Agent and the Lenders hereby notify the Borrower and its Subsidiaries that if they or any of their Subsidiaries open an account, including any loan, deposit account, treasury management account, or other extension of credit with the Administrative Agent or any Lender, the Administrative Agent or the applicable Lender will request the applicable Person's name, tax identification number, business address and other information necessary to identify such Person (and may request such Person's organizational documents or other identifying documents) to the extent necessary for the Administrative Agent and the applicable Lender to comply with the USA Patriot Act.

Section 12.17. Keepwell. Each Credit Party that is a Qualified ECP Guarantor at the time the Guaranty or the grant of the security interest under the Loan Documents, in each case, by any Specified Credit Party, becomes effective with respect to any Swap Obligation, hereby absolutely, unconditionally and irrevocably undertakes to provide such funds or other support to each Specified Credit Party with respect to such Swap Obligation as may be needed by such Specified Credit Party from time to time to honor all of its obligations under its Guaranty and the other Loan Documents in respect of such Swap Obligation (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering the such Qualified ECP Guarantor's obligations and undertakings under this Section

1. voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of each Qualified ECP Guarantor under this Section shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Each Qualified ECP Guarantor intends this Section to constitute, and this Section shall be deemed to constitute, a guarantee of the obligations of, and a "keepwell, support, or other agreement" for the benefit of, each Specified Credit Party for all purposes of the Commodity Exchange Act.

Section 12.18. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;
  - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
  - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

Section 12.19. Amendment and Restatement. Borrower, Administrative Agent and the Lenders have agreed that this Agreement is an amendment and restatement of the Existing Credit Agreement in its entirety, that the terms and provisions hereof supersede the terms and provisions thereof, and that this Agreement is not a new or substitute credit agreement or novation of the Existing Credit Agreement. The Obligations of Borrower and the other Credit Parties evidenced under this Agreement and the other Loan Documents are given in renewal, extension and modification, but not in extinguishment, novation or discharge, of the “Obligations” under and as defined in the Existing Credit Agreement.

Section 12.20. Assignment and Assumption of Assigned Interests. Each of the Lenders (as defined in the Existing Credit Agreement, the “Existing Lenders”), the Lenders and the Administrative Agent have agreed among themselves, in consultation with the Borrower, to effectuate an assignment and assumption with respect to the Existing Lenders’ (a) rights and obligations in their capacity as Existing Lenders under the Existing Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to all or any of such outstanding rights and obligations of such Existing Lenders under the Existing Credit Agreement (including any letters of credit and guarantees included in such facility) and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Existing Lender (in their capacity as an Existing Lender) against any Person, whether known or unknown, arising under or in connection with the Existing 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 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 (a) above (the rights and obligations sold and assigned pursuant to clauses (a) and (b) above being referred to herein collectively as the “Assigned Interests”) in order to, among other things, to reallocate the Commitments (as defined in the Existing Credit Agreement, the “Existing Commitments”) and the Advances (as defined in the Existing Credit Agreement, the “Existing Loans”) to the Lenders (including Barclays Bank PLC, Bank of America, N.A., Canadian Imperial Bank of Commerce and Compass Bank as Lenders (each, a “New Lender”). The parties hereto hereby consent to the Existing Lenders’ assignment of the Assigned Interests to the Lenders (including the New Lenders) and the assumption by the Lenders (including the New Lenders) of such Assigned Interests and the reallocation of the Existing Commitments and the Existing Loans in accordance with this Section 12.20. On the Effective Date, after giving effect to the assignments and assumptions of the Assigned Interests and the reallocation of the Existing Loans and the Existing Commitments pursuant to this Section 12.20, the Commitment of each Lender shall be as set forth on Schedule 1.2. With respect to such Commitments, each Lender shall be deemed to have acquired the Assigned Interests allocated to it from the Existing Lenders pursuant to the terms of the Assignment and Assumption attached to the Existing Credit Agreement as Exhibit E as if each such Lender, each Existing Lender, the Administrative Agent and the Borrower, as applicable, had executed an Assignment and Assumption Agreement with respect to such allocation. In connection with the assignment and assumption of Assigned Interests contemplated in this Section 12.20 and for the purposes of such assignment and assumption only, the parties hereto, as applicable, hereby agree to waive the processing and recordation fees required under Section 13.04(b)(ii)(C) of the Existing Credit Agreement.

Section 12.21. Flood Insurance. Notwithstanding any provision in this Agreement, any Security Instrument or other Loan Document to the contrary, (a) in no event is (i) any Excluded Asset (as defined in the Security Agreement) or (ii) any Building or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulations) included in the definition of “Collateral” and (b) no Building or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulations) shall be subject to a Lien under any Security Instrument. As used herein, “Flood Insurance Regulations” shall mean (i) the National Flood Insurance Act of 1968, (ii) the Flood Disaster Protection Act of 1973, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), (iv) the Flood Insurance Reform Act of 2004 and

(v) the Biggert-Waters Flood Insurance Reform Act of 2012, in each case as now or hereafter in effect or any successor statute thereto and including any regulations promulgated thereunder.

[SIGNATURES BEGIN NEXT PAGE]



The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**BORROWER:**

**CALLON PETROLEUM COMPANY**

By: /s/ Joseph C. Gatto, Jr.  
Name: Joseph C. Gatto, Jr.  
Title: President and Chief Financial Officer

**ADMINISTRATIVE AGENT, ISSUING  
BANK, SWING LINE LENDER AND  
LENDER:**

**JPMORGAN CHASE BANK, N.A.**

By: /s/ Anson Williams  
Name: Anson Williams  
Title: Authorized Signatory

**LENDER:**

**REGIONS BANK**

By: /s/ Michael Kutcher

Name: Michael Kutcher

Title: Vice President

**LENDER:**

**THE BANK OF NOVA SCOTIA**

By: /s/ Alan Dawson

Name: Alan Dawson

Title: Director

**LENDER:**

**CAPITAL ONE, NATIONAL ASSOCIATION**

By: /s/ Christopher Kuna

Name: Christopher Kuna

Title: Director

**LENDER:**

**CITIBANK, N.A.**

By: /s/ William McNeely

Name: William McNeely

Title: Senior Vice President

**LENDER:**

**KEYBANK NATIONAL ASSOCIATION**

By: /s/ George E. McKean

Name: George E. McKean

Title: Senior Vice President

**LENDER:**

**ROYAL BANK OF CANADA**

By: /s/ Jay T. Sartain

Name: Jay T. Sartain

Title: Authorized Signatory



**LENDER:**

**SUNTRUST**

By: /s/ Chulley Bogle

Name: Chulley Bogle

Title: Vice President

**LENDER:**

**BOKF, NA dba Bank of Oklahoma**

By: /s/ John Krenger

Name: John Krenger

Title: Vice President

**LENDER:**

**CIT BANK, N.A.**

By: /s/ Katya Evseev

Name: Katya Evseev

Title: Vice President

**LENDER:**

**CREDIT SUISSE AG,  
CAYMAN ISLANDS BRANCH**

By: /s/ Robert Hetu

Name: Robert Hetu

Title: Authorized Signatory

By: /s/ Lea Barlocher

Name: Lea Barlocher

Title: Authorized Signatory

**LENDER:**

**IBERIABANK, N.A.**

By: /s/ Tyler S. Thoem

Name: Tyler S. Thoem

Title: Senior Vice President

**LENDER:**

**WHITNEY BANK**

By: /s/ William Jochetz

Name: William Jochetz

Title: Vice President

**LENDER:**

**BARCLAYS BANK PLC**

By: /s/ Christopher Aitkin

Name: Christopher Aitkin

Title: Assistant Vice President

**LENDER:**

**BANK OF AMERICA, N.A.**

By: /s/ Kimberly Miller

Name: Kimberly Miller

Title: Associate



**LENDER:**

**CANADIAN IMPERIAL BANK OF COMMERCE,  
NEW YORK BRANCH, as Lender**

By: /s/ Donovan Broussard

Name: Donovan Broussard

Title: Authorized Signatory

By: /s/ Richard Antl

Name: Richard Antl

Title: Authorized Signatory

**LENDER:**

**COMPASS BANK**

By: /s/ Gabriela Azcarate

Name: Gabriela Azcarate

Title: Vice President

## CERTIFICATIONS

I, Joseph C. Gatto, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Callon Petroleum Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting;

Date: August 2, 2017

/s/ Joseph C. Gatto, Jr.

Joseph C. Gatto, Jr., President and Chief Executive Officer  
(Principal executive officer)

## CERTIFICATIONS

I, Correne S. Loeffler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Callon Petroleum Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting;

Date: August 2, 2017

/s/ Correne S. Loeffler

Correne S. Loeffler, Interim Chief Financial Officer and Treasurer  
(Principal Financial Officer)

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Callon Petroleum Company for the quarterly period ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with requirements of Section 13(a) of 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2017

/s/ Joseph C. Gatto, Jr.

Joseph C. Gatto, Jr. (Principal Executive Officer)

Date: August 2, 2017

/s/ Correne S. Loeffler

Correne S. Loeffler (Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.