

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(Mark One)

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-36302

Sundance Energy Australia Limited

(Exact name of Registrant as specified in its charter)

Australia

(Jurisdiction of incorporation or organization)

**633 17th Street, Suite 1950
Denver, CO 80202
Tel: (303) 543-5700**

(Address of principal executive offices)

**Eric P. McCrady
Sundance Energy, Inc.
Chief Executive Officer
633 17th Street, Suite 1950
Denver, CO 80202
Tel: (303) 543-5700
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 100 Ordinary Shares	The Nasdaq Stock Market LLC
Ordinary Shares, no par value*	The Nasdaq Stock Market LLC

*Not for trading, but only in connection with the listing of American Depositary Shares on The Nasdaq Stock Market LLC.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,253,249,528 Ordinary Shares at December 31, 2017

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the 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 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, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

*The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No

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EXPLANATORY NOTES

Unless otherwise indicated or the context implies otherwise:

- “we,” “us,” “our” or “Sundance” refers to Sundance Energy Australia Limited, an Australian corporation, and its subsidiaries;
- “ADSs” refers to our American Depositary Shares, each of which represents 100 ordinary shares;
- “ADRs” refers to American Depositary Receipts, which evidence the ADSs;
- “SEC” refers to the Securities and Exchange Commission;
- “shares” or “ordinary shares” refers to our ordinary shares;
- “Ryder Scott” refers to Ryder Scott Company L.P., the independent engineering firm, that provided the estimates of proved oil and natural gas reserves as of December 31, 2017, 2016 and 2015.

We have also provided definitions for certain oil and natural gas terms used in this prospectus in the “Glossary of Oil and Natural Gas Terms” beginning on page A-1 of this annual report.

All references herein to “\$” and “U.S. dollar” are to United States dollars. Except as otherwise stated, all monetary amounts in this annual report are presented in United States dollars.

The disclosures in this annual report are based on the statutory financial information filed with the Australian Securities Exchange (the “ASX”) and the Australian Securities & Investments Commission. These annual report disclosures can be reconciled to those Australian filings with information contained in this annual report, however certain differences may exist as a result of the disclosure requirements under applicable U.S. and Australian rules. We do not believe that any of these differences are material.

FORWARD-LOOKING STATEMENTS

Certain statements in this annual report may constitute “forward-looking statements.” Such forward-looking statements are based on the beliefs of our management as well as assumptions based on information available to us. When used in this annual report, the words “anticipate,” “believe,” “estimate,” “project,” “intend” and “expect” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such forward-looking statements reflect our current views with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These include, but are not limited to, risks or uncertainties associated with the discovery and development of oil and natural gas reserves, cash flows and liquidity, business and financial strategy, budget, projections and operating results, oil and natural gas prices, amount, nature and timing of capital expenditures, including future development costs, availability and terms of capital, general economic and business conditions, environmental and other liability and other factors identified under Item 3.D. “Key Information—Risk Factors” of this annual report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this annual report as anticipated, believed, estimated or expected. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this annual report and will not be revised or updated to reflect events after the date of annual report.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). An emerging growth company may avail itself of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. For example, we have elected to rely on an exemption from the auditor attestation requirements of Section 404 of the Sarbanes Oxley Act of 2002 (the “Sarbanes Oxley Act”) relating to internal control over financial reporting, and we will not provide such an attestation from our auditors.

We will remain an emerging growth company until the earliest of the following:

- the end of the first fiscal year in which the market value of our ordinary shares that are held by non-affiliates is at least \$700 million as of the end of the second quarter of such fiscal year;
- the end of the first fiscal year in which we have total annual gross revenues of at least \$1.07 billion;
- the date on which we have issued more than \$1 billion in non-convertible debt securities in any rolling three year period; or
- December 31, 2020.

Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided for by the JOBS Act.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following tables set forth summary historical financial data for the periods indicated. The consolidated statement of operations data for the years ended December 31, 2017, 2016 and 2015 and the balance sheet information as of December 31, 2017 and 2016 have been derived from, and should be read in conjunction with, the audited consolidated financial statements and notes thereto set forth beginning on page F-1 of this annual report. The selected consolidated statement of operations data for the years ended December 31, 2014 and 2013 and the consolidated balance sheet information as at December 31, 2015, 2014 and 2013 are derived from the audited consolidated financial statements not appearing in this annual report. This data should be read in conjunction with the financial statements, related notes and other financial information included elsewhere herein. Our historical results do not necessarily indicate our expected results for any future periods.

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Our financial statements have been prepared in U.S. dollars and in accordance with Australian Accounting Standards. Our financial statements comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(In \$ '000s)	Year ended December 31,				
	2017	2016	2015	2014	2013
Statement of Profit or Loss:					
Revenues:					
Oil revenue	\$ 89,136	\$ 57,296	\$ 82,949	\$ 144,994	\$ 79,365
Natural gas revenue	8,743	4,937	4,720	6,161	2,774
Natural gas liquids ("NGL") revenue	6,520	4,376	4,522	8,638	3,206
Total oil and natural gas revenues	104,399	66,609	92,191	159,793	85,345
Lease operating and production tax expenses	29,029	17,137	24,498	20,489	18,383
Depreciation and amortization expense	58,361	48,147	94,584	85,584	36,225
General and administrative expense	18,345	12,110	17,176	15,527	15,297
Finance costs, net of amounts capitalized and interest income	13,491	12,219	9,418	(494)	(351)
Loss on debt extinguishment	—	—	1,451	—	—
Impairment of non-current assets	5,583	10,203	321,918	71,212	—
Exploration and evaluation expenditure	—	30	7,925	10,934	—
Loss (gain) on sale of non-current assets	1,461	—	(790)	(48,604)	(7,335)
(Gain) / loss on derivative financial instruments	2,894	12,761	(15,256)	(11,009)	554
Other (income) expense	(457)	(2,009)	—	686	1,063
Income tax expense (benefit)	(1,873)	1,705	(107,138)	(841)	5,567
Profit (loss) attributable to owners of Sundance	\$ (22,435)	\$ (45,694)	\$ (261,595)	\$ 16,309	\$ 15,942
Other comprehensive income (loss)					
Exchange differences arising on translation of foreign operations	708	(532)	(478)	684	(421)
Total comprehensive income (loss) attributable to owners of Sundance	\$ (21,727)	\$ (46,226)	\$ (262,073)	\$ 16,993	\$ 15,521
Basic and diluted earnings (loss) per share	\$ (0.02)	\$ (0.05)	\$ (0.48)	\$ 0.03	\$ 0.04
Basic weighted average number of ordinary shares outstanding	1,251,338,659	870,582,898	552,847,289	531,391,405	413,872,184
Other Supplementary Data:					
Adjusted EBITDAX(1)	\$ 57,190	\$ 47,863	\$ 64,781	\$ 126,373	\$ 52,594

- (1) Adjusted EBITDAX is a supplemental non-IFRS financial measure. For a definition of Adjusted EBITDAX and a reconciliation of Adjusted EBITDAX to our profit (loss) attributable to owners of Sundance, see "Adjusted EBITDAX" below.

(In \$ '000s)	Year ended December 31,				
	2017	2016	2015	2014	2013
Statement of Financial Position Data:					
Cash and cash equivalents	\$ 5,761	\$ 17,463	\$ 3,468	\$ 69,217	\$ 96,871
Assets held for sale	61,064	18,309	90,632	—	11,484
Total current assets	74,686	58,840	125,345	114,045	141,141
Oil and natural gas properties:					
Development and production assets	338,796	338,709	250,922	519,013	312,230
Exploration and evaluation expenditure	34,979	34,366	26,323	155,130	166,144
Total assets	454,618	432,088	409,835	796,520	625,060
Current liabilities	74,136	31,820	42,215	119,324	140,862
Credit facilities, net of deferred financing fees	189,310	188,249	187,743	128,805	29,141
Restoration provision	7,567	7,072	3,088	8,866	5,074
Deferred tax liabilities	—	—	—	102,668	102,711
Total non-current liabilities	203,131	202,445	191,251	242,190	136,957
Total liabilities	277,267	234,265	233,466	361,514	277,819
Net assets	177,351	197,823	176,369	435,006	347,241
Issued capital	372,764	373,585	308,429	306,853	237,008

(In \$ '000s)	Year ended December 31,				
	2017	2016	2015	2014	2013
Net Cash Flow Data:					
Net cash provided by operating activities	\$ 74,776	\$ 42,660	\$ 64,469	\$ 128,087	\$ 62,646
Net cash used in investing activities	(92,503)	(79,991)	(180,771)	(323,235)	(164,355)
Net cash provided by financing activities	6,063	51,776	50,403	167,595	44,455

Adjusted EBITDAX

Adjusted EBITDAX is a supplemental non-IFRS financial measure that is used by our management and certain external users of our consolidated financial statements, such as investors, industry analysts and lenders.

We define “Adjusted EBITDAX” as earnings before interest expense, income taxes, depreciation, depletion and amortization, property impairments, gain/(loss) on sale of non-current assets, exploration expense, share-based compensation, gains and losses on commodity hedging, net of settlements of commodity hedging and certain other non-cash or non-recurring income/expense items.

Our management believes Adjusted EBITDAX is useful because it allows us to more effectively evaluate our operating performance, identify operating trends (which may otherwise be masked by the excluded items) and compare the results of our operations from period to period without regard to our financing policies and capital structure. We exclude the items listed above from profit attributable to owners of Sundance in arriving at Adjusted EBITDAX, because these amounts can vary substantially from company to company within our industry, depending upon accounting policies and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDAX should not be considered as an alternative to, or more meaningful than, net income or cash flows from operating activities as determined in accordance with IFRS, as issued by the IASB, or as an indicator of our operating performance or liquidity.

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Certain items excluded from Adjusted EBITDAX are significant components in understanding and assessing a company's financial performance, such as cost of capital and tax structure, as well as the historic costs of depreciable assets. Our computations of Adjusted EBITDAX may not be comparable to other similarly titled measures of other companies. We believe that Adjusted EBITDAX is a widely followed measure of operating performance and may also be used by investors to measure our ability to meet debt service requirements.

The following table presents a reconciliation of the profit (loss) attributable to owners of Sundance to Adjusted EBITDAX:

(In \$ '000s)	Year ended December 31,				
	2017	2016	2015	2014	2013
IFRS Net Profit Reconciliation to Adjusted EBITDAX:					
Profit (loss) attributable to owners of Sundance	\$ (22,435)	\$ (45,694)	\$ (263,835)	\$ 15,321	\$ 15,942
Income tax (benefit) expense	(1,873)	1,705	(107,138)	(841)	5,567
Finance costs, net of amounts capitalized and interest received	13,491	12,219	9,418	494	(232)
Loss on debt extinguishment	—	—	1,451	—	—
Loss (gain) on derivative settlement instruments	2,894	12,761	(15,256)	(10,792)	554
Settlement of derivative settlement instruments	(1,670)	8,672	12,404	1,150	283
Depreciation and amortization expense	58,361	48,147	94,584	85,584	36,225
Impairment of non-current assets	5,583	10,203	321,918	71,212	—
Exploration expense	—	30	7,925	10,934	—
Share-based compensation, value of services	2,076	2,524	4,100	1,915	1,590
Loss (gain) on sale of non-current assets	1,461	—	(790)	(48,604)	(7,335)
Other net income (1)	(698)	(2,704)	—	—	—
Adjusted EBITDAX	\$ 57,190	\$ 47,863	\$ 64,781	\$ 126,373	\$ 52,594

- (1) In 2017, other net income included an escrow settlement of \$1.0 million, net litigation settlements \$(0.7) million and other non cash items of \$0.4 million. In 2016, other net income included proceeds from an insurance settlement of \$2.4 million and a litigation settlement of \$1.2 million, offset by restructuring charges of \$(0.8) million and other \$(0.1) million.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to the Oil and Natural Gas Industry and Our Business

Oil, natural gas and NGL prices are volatile. A substantial or extended decline in the price of these commodities may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

Our revenues, profitability, liquidity, ability to access capital and future growth prospects are highly dependent on the prices we receive for our oil, natural gas and NGLs. The prices of these commodities are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil, natural gas and NGLs have been volatile, and we expect this volatility to continue. For example, average daily prices for NYMEX-WTI crude oil ranged from a high of \$60.46 per barrel to a low of \$42.48 per barrel during 2017. The prices we receive for our production and the levels of our production depend on numerous factors beyond our control. These factors include:

- general worldwide and regional economic and political conditions;
- the domestic and global supply of, and demand for, oil, natural gas and NGLs;
- the actions of the Organization of Petroleum Exporting Countries (“OPEC”) and the ability of OPEC and other producing nations to agree to and maintain production levels;
- the cost of exploring for, developing, producing and marketing oil, natural gas and NGLs;
- the proximity, capacity, cost and availability of oil, natural gas and NGL pipelines and other transportation facilities;
- the price and quantity of imports of foreign oil, natural gas and NGLs;
- the level of global oil, natural gas and NGL exploration and production;
- the level of global oil, natural gas and NGL inventories;
- weather conditions and natural disasters;
- domestic and foreign governmental laws, regulations and taxes;
- volatile trading patterns in commodities futures markets;
- price and availability of competitors’ supplies of oil, natural gas and NGLs;
- shareholder activism or activities by non-governmental organizations to restrict the exploration, development and production of oil and natural gas and related infrastructure;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

Further, oil, natural gas and NGL prices do not necessarily fluctuate in direct relationship to each other. Because approximately 59% and 20% of our estimated proved reserves as of December 31, 2017 were attributed to oil and NGLs, respectively, our financial results are more sensitive to movements in oil prices. The price of oil has been

extremely volatile, and we expect this volatility to continue for the foreseeable future. Substantially all of our oil production is sold to purchasers under short-term (less than 12 months) contracts at market-based prices.

Prolonged further sustained declines in oil, natural gas and NGL prices may have the following effects on our business:

- reducing our revenues, operating income and cash flows;
- adversely affecting our financial condition, liquidity, results of operations and our ability to meet our capital expenditure obligations and financial commitments;
- limiting our access to, or increasing the cost of, sources of capital, such as equity and long-term debt (including our borrowing capacity under our existing credit facilities);
- reducing the amount of oil, natural gas and NGLs that we can produce economically;
- reducing the amounts of our estimated proved oil, natural gas and NGLs reserves;
- reducing the standardized measure of discounted future net cash flows relating to oil, natural gas and NGL reserves;
- causing us to delay or postpone certain of our capital projects; and
- reducing the carrying value of our oil and natural gas properties.

We currently have commodity price hedging agreements or fixed price contracts in place for approximately 55% of our expected Boe production for 2018. To the extent we are unhedged, we have significant exposure to adverse changes in the prices of oil, natural gas and NGLs that could materially and adversely affect our business and results of operations.

Our future revenues are dependent on our ability to successfully replace our proved producing reserves.

Our business strategy is to generate profit through the acquisition, exploration, development and production of oil and natural gas reserves. Proved reserves generally decline when produced, unless we conduct successful exploration or development activities or acquire properties containing proved reserves or both. We may not be able to find, develop or acquire additional reserves on an economically viable basis. Furthermore, if oil and natural gas prices increase, the cost of finding, developing or acquiring additional reserves could also increase.

Drilling for and producing oil, natural gas and NGLs are high risk activities with many uncertainties that could adversely affect our business, financial condition and results of operations.

Exploration and development activities involve numerous risks, including the risk that no commercially productive oil or natural gas reservoirs will be discovered. In addition, the future cost and timing of drilling, completing and operating wells is often uncertain. Furthermore, drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including:

- lack of prospective acreage available on acceptable terms;
- unexpected or adverse drilling conditions;
- elevated pressure or irregularities in geologic formations;
- equipment failures or accidents;

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- adverse weather conditions;
- title problems;
- limited availability of financing upon acceptable terms;
- reductions in oil, natural gas and NGL prices;
- compliance with governmental requirements; and
- shortages or delays in the availability of drilling rigs, equipment and personnel.

Even if our exploration, development and drilling efforts are successful, our wells, once completed, may not produce reserves of oil, natural gas or NGLs that are economically viable or that meet our prior estimates of economically recoverable reserves. Unsuccessful drilling activities could result in a significant decline in our production and revenues and materially harm our operations and financial position by reducing our available cash and liquidity. In addition, the potential for production decline rates for our wells could be greater than we expect. Because of the risks and uncertainties inherent to our businesses, our future drilling results may not be comparable to our historical results described elsewhere in this annual report.

We may fail to realize the anticipated benefits of the recently completed Eagle Ford acquisition (the “Acquisition”) and other acquisitions we may undertake, and may assume unanticipated liabilities.

The Acquisition will result in what we believe is a significant change in the scale of the Company’s operations. There is a risk that this change will not be managed appropriately resulting in loss of value of the assets. Our ability to achieve the anticipated benefits of the Acquisition, or any other acquisition, will depend in part upon whether we can integrate the acquired assets and operations into our existing businesses in an efficient and effective manner. We may not be able to accomplish this integration process successfully.

The Acquisition, and any other acquisition we undertake, involve risks associated with integrating acquired properties into existing operations including that:

- senior management’s attention may be diverted from the management of daily operations to the integration of the assets acquired;
- significant unknown and contingent liabilities could be incurred for which we have limited or no contractual remedies, the sellers may be unable to meet their financial obligations to indemnify us for those liabilities or we may not have any or adequate insurance coverage;
- properties we acquire, including the Eagle Ford properties we acquired in the Acquisition, may not perform as well as we anticipate;
- unexpected costs, delays and challenges may arise in integrating the assets acquired in the Acquisition into existing operations;
- we may need to hire additional staff, devote additional resources and contract additional rigs to integrate acquired properties; and
- we may need additional financing in order to complete our development plan.

Even if we successfully integrate the acquired properties into our operations, including the Eagle Ford properties we acquired in connection with the Acquisition, we may not be able to realize the full benefits we anticipate or we may not realize these benefits within the expected timeframe. Anticipated benefits of any acquisition, including

the Acquisition, may also be offset by operating losses relating to changes in commodity prices, in oil and natural gas industry conditions, risks and uncertainties relating to the exploratory prospects of the combined assets or operations, or an increase in operating or other costs or other difficulties. If we fail to realize the benefits anticipated from any acquisition, including the Acquisition, our business, results of operations and financial condition may be adversely affected.

Our exploration, development and exploitation projects require substantial capital expenditures. We may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in our oil and natural gas reserves with resulting adverse effects on our cash flow and liquidity.

The oil and natural gas industry is capital intensive. We make and expect to continue to make substantial capital expenditures in our business for the development, exploitation, production and acquisition of oil, natural gas and NGL reserves. The actual amount and timing of our future capital expenditures may differ materially from our estimates as a result of, among other things, commodity prices, actual drilling results, the availability of drilling rigs and other services and equipment, and regulatory, technological and competitive developments. We intend to finance our development plan in 2018 primarily with cash flows from operations and available borrowings under our credit facilities, but we may also finance our future capital expenditures through a variety of other sources, including through additional asset sales, or through the issuance of debt and/or equity, which may alter or increase our capitalization substantially.

Our cash flows from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the volume of oil, natural gas and NGLs we are able to produce and sell from existing productive wells;
- the prices at which our oil, natural gas and NGLs are sold;
- the cost at which our oil, natural gas and NGLs are extracted;
- global credit and securities markets;
- our ability to acquire, locate and produce new reserves and the cost of such reserves; and
- the ability of our lenders to provide us with credit or additional borrowing capacity.

If our revenues or the amounts we can borrow under available credit facilities decrease as a result of lower oil or natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels. If additional capital is needed, we may not be able to obtain debt or equity financing on terms acceptable to us, or at all. If cash generated by operations or cash available under our credit facilities is not sufficient to meet our capital requirements, the failure to obtain additional financing could result in a curtailment of our operations relating to development of our prospects, which in turn could lead to a decline in our oil and natural gas reserves and production levels, and could adversely affect our business, financial condition and results of operations.

Our level of indebtedness may reduce our financial flexibility.

We intend to fund our capital expenditures through a combination of cash flow from operations, borrowings under available credit facilities and, if necessary, alternative debt or equity financings. If we obtain alternative debt or equity financing for these or other purposes, the related risks that we now face could intensify. Our level of debt could adversely affect our business and results of operations in several important ways, including the following:

- a portion of our cash flow from operations would be used to pay interest on borrowings;

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- the covenants contained in available credit facilities limit our ability to borrow additional funds, pay dividends, dispose of assets or issue shares of preferred stock and otherwise may affect our flexibility in planning for, and reacting to, changes in general business and economic conditions;
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes;
- a leveraged financial position would make us more vulnerable to economic downturns and decreases in commodity prices and could limit our ability to withstand competitive pressures; and
- any debt that we incur under our existing senior secured revolving credit facility will be at variable rates, which could make us vulnerable to an increase in interest rates.

Operating hazards, natural disasters or other interruptions of our operations could result in potential liabilities, which may not be fully covered by our insurance.

The oil and natural gas business involves operating hazards such as:

- well blowouts;
- mechanical failures;
- fires and explosions;
- pipe or cement failures and casing collapses, which could release natural gas, oil, drilling fluids or hydraulic fracturing fluids;
- uncontrollable flows of oil, natural gas or well fluids;
- geologic formations with abnormal pressures;
- handling and disposal of materials, including drilling fluids and hydraulic fracturing fluids;
- pipeline ruptures or spills;
- inclement weather;
- releases of toxic gases; and
- other environmental hazards and risks (including groundwater contamination).

Any of these hazards and risks can result in the loss of hydrocarbons, environmental pollution, personal injury claims, regulatory investigation, penalties and suspension of operation and other damage to our properties and the property of others.

We maintain insurance against losses and liabilities in accordance with customary industry practices and in amounts that our management believes to be prudent. However, insurance against all operational risks is not available to us. We do not carry business interruption insurance. We may elect not to carry insurance if our management believes that the cost of available insurance is excessive relative to the risks presented.

In addition, losses could occur for uninsured risks or in amounts in excess of existing insurance coverage. We cannot insure fully against pollution and environmental risks. We cannot assure investors that we will be able to maintain adequate insurance in the future at rates we consider reasonable or that any particular types of coverage will be

available. The occurrence of an event not fully covered by insurance could have a material adverse effect on our financial position and results of operations.

SEC rules could limit our ability to book additional PUDs in the future.

SEC rules require that, subject to limited exceptions, our PUDs may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement limits our ability to book additional PUDs as we pursue our drilling program. Moreover, we may be required to write-down our PUDs if we do not drill those wells within the required five-year time frame, or if oil and natural gas prices decrease, making the PUDs uneconomic. Lower PV-10 value, resulting from fewer PUDs may negatively impact investor perception of the Company.

Our planned exploratory drilling involves drilling in existing or emerging shale plays using the latest available horizontal drilling and completion techniques, which are subject to risks. As a result, drilling results may not meet our expectations for reserves or production.

Our operations involve utilizing the latest drilling and completion techniques as developed by us and our service providers in order to maximize cumulative recoveries and therefore generate the highest possible returns. Risks that we face while drilling include, but are not limited to:

- landing our well bore in the desired formation;
- staying in the desired formation while drilling horizontally through the formation;
- running our casing the entire length of the well bore; and
- being able to run tools and other equipment consistently through the well bore.

Risks that we face while completing our wells include, but are not limited to:

- being able to fracture stimulate the planned number of stages;
- being able to run tools the entire length of the well bore during completion operations; and
- successfully cleaning out the well bore after completion of the final fracture stimulation stage.

The results of our drilling in new or emerging formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas have limited or no production history and, consequently, we are less able to predict future drilling results in these areas.

Ultimately, the success of these drilling and completion techniques can only be evaluated as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling does not meet our anticipated results or we are unable to execute our drilling program because of capital constraints, lease expirations, access to gathering systems and limited takeaway capacity or otherwise and/or oil and natural gas prices decline, the return on our investment in these areas may not be as attractive as we anticipate. Further, as a result of any of these developments we could incur material write-downs of our oil and natural gas properties and the value of our undeveloped acreage could decline in the future.

Our identified drilling locations are scheduled to be developed over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

Our final determination of whether to drill any scheduled or budgeted wells, will be dependent on a number of factors, including:

- ongoing review and analysis of geologic and engineering data;
- the availability of sufficient capital resources to us and the other participants for drilling and completing of the prospects;
- the approval of the prospects by other participants once additional data has been compiled;
- economic and industry conditions at the time of drilling, including prevailing and anticipated prices for oil and natural gas and the availability and prices of drilling rigs and personnel;
- the ability to maintain, extend or renew leases and permits on reasonable terms for the prospects;
- additional due diligence;
- regulatory requirements and restrictions; and
- the opportunity to divert our drilling budget to preferred prospects.

Although we have identified or budgeted for numerous drilling prospects, we may not be able to lease or drill those prospects within our expected time frame or at all. Wells that are currently part of our capital plan may be based on results of drilling activities in other areas that we believe are geologically similar to a prospect rather than on analysis of seismic or other data in the prospect area, in which case actual drilling and results are likely to vary, possibly materially, from results in other areas. In addition, our drilling schedule may vary from our expectations because of future uncertainties, and our ability to produce oil, natural gas and NGLs may be significantly affected by the availability and prices of equipment and personnel.

Our management team has specifically identified and scheduled certain drilling locations as an estimation of our future multi-year drilling activities on our existing properties. These locations represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including crude oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, gathering system and pipeline transportation constraints, access to and availability of water sourcing and distribution systems, regulatory approvals and other factors. Because of these uncertain factors, we do not know if the numerous potential well locations we have identified will ever be drilled or if we will be able to produce oil, natural gas or NGLs from these or any other potential locations. In addition, unless production is established within the spacing units covering the undeveloped acres on which some of the potential locations are obtained, the leases for such acreage will expire. Therefore, our actual drilling activities may materially differ from those presently identified.

In addition, we will require significant additional capital over a prolonged period in order to pursue the development of these locations, and we may not be able to raise or generate the capital required to do so. Any drilling activities we are able to conduct on these potential locations may not be successful or result in the addition of proved reserves to our overall proved reserves or may result in a downward revision of our estimated proved reserves, which could have a material adverse effect on our future business and results of operations.

The unavailability or high cost of additional drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect our ability to execute our development plans within our budget and on a timely basis.

The demand for drilling rigs, pipe and other equipment and supplies, as well as for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry, can fluctuate significantly, often in correlation with oil and natural gas prices, causing periodic shortages. Our operations are concentrated in areas in which the oil and gas industry has historically increased rapidly, and as a result, demand for such drilling rigs, equipment and personnel, as well as access to transportation, processing and refining facilities in these areas, and the costs for those items also increased. Any delay or inability to secure the personnel, equipment, power, services, resources and facilities access necessary for us to maintain or increase our development activities, could result in production volumes being below our forecasted volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on our cash flow and profitability. Furthermore, if we are unable to secure a sufficient number of drilling rigs at reasonable costs, we may not be able to drill all of our acreage before our leases expire.

Development of our PUDs may take longer than expected and may require higher levels of capital expenditures than we currently anticipate. Therefore, our estimated proved undeveloped reserves may not be ultimately developed or produced.

As of December 31, 2017, approximately 67% of our total proved reserves were proved undeveloped. These reserve estimates reflected our plans to make significant capital expenditures to convert our proved undeveloped reserves into proved developed reserves. Our approximately 31.3 MMBoe of estimated proved undeveloped reserves will require an estimated \$508.5 million of development capital over the next five years. Development of these undeveloped reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves, increases in costs to drill and develop such reserves, or decreases in commodity prices will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could require us to reclassify our proved undeveloped reserves as unproved reserves.

Further, our reserves data assumes that we can and will make these expenditures and that these operations will be conducted successfully. These assumptions, however, may not prove correct. If we choose not to spend the capital to develop these reserves, or if we are not otherwise able to successfully develop these reserves, we will be required to write them off. Any such write-offs of our reserves could reduce our ability to borrow and adversely affect our liquidity and available capital.

Certain of our undeveloped leasehold acreage is subject to leases expiring over the next several years unless production is established on units containing the acreage.

Certain of our undeveloped leasehold acreage is subject to leases that will expire unless production is established. For these properties, if production in commercial quantities has not been established on the leased property or units that include the leased property containing these leases, our leases will expire and we will lose our right to develop the related properties. As of December 31, 2017, 25,609 net acres of our total acreage position were not held by production, of which 10,085 net acres had expired as of the date of this annual report. For the acreage underlying such properties, if production in paying quantities is not established on units containing these leases, or extensions are not successfully obtained, an additional 5,181 net acres will expire in 2018, and approximately 5,822 net acres will expire in 2019.

As a non-operating leaseholder in certain of our properties, we have less control over the timing of drilling and there is a higher risk of lease expirations occurring where we are not the operator. For certain properties in which we are a non-operating leaseholder, we have the right to propose the drilling of wells pursuant to a joint operating agreement. Those properties that are not subject to a joint operating agreement are located in states where state law grants us the right to force pooling.

Our producing properties are located primarily in the Eagle Ford, making us vulnerable to risks associated with operating in a limited number of geographic areas.

All of our producing properties are geographically concentrated in the Eagle Ford area, including those properties acquired in the Acquisition. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in these areas caused by governmental regulation, processing or transportation capacity constraints, market limitations, availability of equipment and personnel, water shortages or other drought related conditions or interruption of the processing or transportation of oil, natural gas or NGLs, any of which could adversely affect our business, results of operations and financial condition.

We have limited control over activities in properties we do not operate, which could reduce our production and revenues.

We utilize joint operating agreements in some of our properties where we have less than 100% working interest. Other companies may be operators under these joint operating agreements and, as a minority working interest owner, we will be dependent to a degree on the efficient and effective management of the operators. The objectives and strategy of those operators may not always be consistent with our objectives and strategy. As a result, we have limited ability to exercise influence over, and control the risks associated with, operations of these properties. The failure of an operator of our wells to adequately perform operations, an operator's breach of the applicable agreements or an operator's failure to act in ways that are in our best interests could reduce our production and revenues or could create liability for the operator's failure to properly maintain the well and facilities and to adhere to applicable safety and environmental standards. With respect to properties that we do not operate:

- the operator could refuse to initiate exploration or development projects;
- if we proceed with any of those projects the operator has refused to initiate, we may not receive any funding from the operator with respect to that project;
- the operator may initiate exploration or development projects on a different schedule than we would prefer;
- the operator may not approve of other participants in drilling wells;
- the operator may propose greater capital expenditures than we wish, including expenditures to drill more wells or build more facilities on a project than we have funds available, which may cause us to not fully participate in those projects or participate in a substantial amount of the revenues from those projects; and
- the operator may not have sufficient expertise or financial resources to develop such projects.

Any of these events could significantly and adversely affect our anticipated exploration and development activities. Under our joint operating agreements, we will be required to pay our percentage interest share of all costs and liabilities incurred by the operator on behalf of the working interest owners in connection with joint venture activities. In common with other working interest owners, if we fail to pay our share of any costs and liabilities, we may be deemed to have elected non-participation with respect to operations affected and we may be subject to loss of interest through foreclosure of operator liens invoked by participating working interest owners which may subject us to non-consent penalties. We operated 91.1% of our total production for the year ended December 31, 2017.

Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate and any significant inaccuracies in these reserve estimates or underlying assumptions could materially affect the quantities and present value of our reserves.

There are uncertainties inherent in estimating oil and natural gas reserves and their estimated value, including many factors beyond our control. The reserve data in this annual report represent only estimates. Reservoir engineering is a subjective and inexact process of estimating underground accumulations of oil and natural gas that cannot be

measured in an exact manner and is based on assumptions that may vary considerably from actual results. Reservoir engineering also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Accordingly, actual production, oil and natural gas prices, revenue, taxes, operating expenses, expenditures and quantities of recoverable oil and natural gas reserves will likely vary, possibly materially, from estimates. Any significant variance in our estimates or the accuracy of our assumptions could materially affect the estimated quantities and present value of reserves shown in this annual report, which could adversely affect business, results of operations and financial condition.

Our derivative activities could result in financial losses or could reduce our income.

Because oil and natural gas prices are subject to volatility, we may periodically enter into price-risk-management transactions such as fixed-rate swaps, costless collars, puts, calls and basis differential swaps to reduce our exposure to price declines associated with a portion of our oil and natural gas production and thereby achieve a more predictable cash flow. The use of these arrangements limits our ability to benefit from increases in the prices of oil and natural gas. Our derivative arrangements may apply to only a portion of our production, thereby providing only partial protection against declines in oil and natural gas prices.

These arrangements may expose us to the risk of financial loss in certain circumstances, including instances in which production is less than expected, our customers fail to purchase contracted quantities of oil and natural gas or a sudden, unexpected event that materially impacts oil or natural gas prices. In addition, the counterparties under our derivatives contracts may fail to fulfill their contractual obligations to us.

If oil and natural gas prices decline, we may be required to write-down the carrying values of our oil and natural gas properties.

We review our development and production and exploration and evaluation expenditure oil and natural gas properties for impairment whenever events and circumstances indicate that a decline in the recoverability of their carrying value may have occurred. Based on specific market factors and circumstances at the time of prospective impairment reviews and the continuing evaluation of development plans, production data, economics and other factors, we may be required to write-down the carrying value of our oil and natural gas properties. A write-down constitutes a non-cash charge to earnings.

The capitalized costs of our oil and natural gas properties, on an area of interest basis, cannot exceed the estimated discounted future net cash flows of that area of interest. If net capitalized costs exceed discounted future net revenues, we generally must write down the costs of each area of interest to the estimated discounted future net cash flows of that area of interest. We incurred impairment of development and production properties expense and impairment of exploration and evaluation expenditures properties expense totaling \$5.4 million and \$0.2 million, respectively, during 2017 and \$2.3 million and \$7.9 million, respectively, during 2016.

The present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

The discounted future net cash flows in this annual report are not necessarily the same as the current market value of our estimated oil and natural gas reserves. As required by the current requirements for oil and natural gas reserve estimation and disclosures, the estimated discounted future net cash flows from proved reserves are based on the average of the sales price on the first day of each month in the applicable year, with costs determined as of the date of the estimate. Actual future net cash flows also will be affected by various factors, including:

- the actual prices we receive for oil and natural gas;
- our actual operating costs in producing oil and natural gas;
- the amount and timing of actual production;

- supply and demand for oil and natural gas;
- increases or decreases in consumption of oil and natural gas; and
- changes in governmental regulations or taxation.

In addition, the 10% discount factor we use when calculating discounted future net cash flows for reporting requirements may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general.

Our inability to market our oil and natural gas could adversely affect our business.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay production. The availability of a ready market for our oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and gathering facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on favorable terms could adversely impact our business and results of operations.

Our productive properties may be located in areas with limited or no access to pipelines, thereby requiring compression facilities or delivery by other means, such as trucking and train. Such restrictions on our ability to sell our oil or natural gas may have several adverse effects, including higher transportation costs, fewer potential purchasers (thereby potentially resulting in a lower selling price) or, in the event we are unable to market and sustain production from a particular lease for an extended period of time, possibly resulting in the loss of a lease due to the lack of commercially established production.

We generally deliver our oil and natural gas production through gathering systems and pipelines that we do not own under interruptible or short-term transportation agreements. Under the interruptible transportation agreements, the transportation of our oil and natural gas production may be interrupted due to capacity constraints on the applicable system, for maintenance or repair of the system or for other reasons as dictated by the particular agreements. We may also enter into firm transportation arrangements for additional production in the future. Because we are obligated to pay fees on minimum volumes to our service providers under these agreements regardless of actual volume throughput, these firm transportation agreements may be significantly more costly than interruptible or short-term transportation agreements, which could adversely affect our business and results of operations.

A portion of our oil and natural gas production in any region may be interrupted, or shut in, from time to time for numerous reasons, including as a result of weather conditions, accidents, loss of pipeline or gathering system access, or field personnel issues or strikes. We may also voluntarily curtail production in response to market conditions. If a substantial amount of our production is interrupted or curtailed, it could adversely affect our business and results of operations.

Our New Credit Agreements have substantial restrictions and financial covenants that restrict our business and financing activities.

In April 2018, we entered into a \$250 million senior secured revolving credit facility (“New Revolving Facility”) and a second lien term loan of \$250 million (“New Term Loan Facility”) (collectively, the “New Credit Agreements”).

The operating and financial restrictions and covenants in our New Credit Agreements restrict our ability to finance future operations or capital needs and to engage, expand or pursue our business activities. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by our results of operations and financial condition and events or circumstances beyond our control. If we violate any of the restrictions, covenants, ratios or tests in our New Credit Agreements, our indebtedness may become immediately due and payable, the interest

rates under our New Credit Agreements may increase and the lenders' commitment, if any, to make further loans to us may terminate. In the event that some or all of the amounts outstanding under our New Credit Agreements are accelerated and become immediately due and payable, we may not have the funds to repay, or the ability to refinance, such outstanding amounts and our lenders could foreclose upon critical assets. As a result, we may be unable to complete any further development of our properties and it may affect our ability to continue as a going concern. For a description of our credit facilities, please see Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—*Credit Facilities*."

Borrowings under our New Revolving Facility are limited by our borrowing base, which is subject to periodic redetermination.

The New Revolving Facility has an initial borrowing base of \$87.5 million, with none drawn as of the date of this annual report and outstanding letters of credit of \$12 million (which reduced the borrowing availability under the New Revolving Facility). The borrowing base under the New Revolving Facility will be redetermined at least semi-annually. Redeterminations are based upon a number of factors, including commodity prices and reserve levels. In addition, our lenders have substantial flexibility to reduce our borrowing base due to subjective factors. Upon a redetermination, we could be required to repay a portion of the debt owed under our New Revolving Facility to the extent our outstanding borrowings at such time exceeds the redetermined borrowing base. We may not have sufficient funds to make such repayments, which could result in a default under the terms of our New Revolving Facility and an acceleration of the loans outstanding under our New Credit Agreements. Failure to timely pay these debt obligations when due could cause us to lose our assets through mortgage foreclosure, which would materially and adversely affect our business, results of operations and financial condition.

Increased costs of capital could adversely affect our business.

Our business and operating results can be adversely affected by factors such as the availability, terms and cost of capital and increases in interest rates. Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to pursue acquisition opportunities, reduce our cash flows available for drilling and place us at a competitive disadvantage. Disruptions in the global financial markets may lead to an increase in interest rates or a contraction in credit availability, which would impact our ability to finance our operations. We will require continued access to capital for the foreseeable future. A significant reduction in the availability of credit could materially and adversely affect our business, results of operations and financial condition.

Competition in the oil and natural gas industry is intense and many of our competitors have resources that are greater than ours.

The oil and natural gas industry is highly competitive. Public integrated and independent oil and natural gas companies, private equity backed and private operators are all active bidders for desirable oil and natural gas properties as well as the equipment and personnel required to operate those properties. Many of these companies have substantially greater financial resources, staff and facilities than we do. There is a risk that increased industry competition will adversely impact our ability to purchase assets or secure services at prices that will allow us to generate sufficient returns on investment in the future.

We may not be able to keep pace with technological developments in our industry.

The oil and natural gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. As others use or develop new technologies, we may be placed at a competitive disadvantage or may be forced by competitive pressures to implement those new technologies at substantial costs. In addition, other oil and natural gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and that may in the future allow them to implement new technologies before we can. We may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete, our business, financial condition or results of operations could be materially and adversely affected.

The loss of any of our key personnel could adversely affect our business, financial condition, the results of operations and future growth.

We are reliant on a number of key members of our executive management team. Loss of such personnel may have an adverse effect on our performance. We currently have an employment agreement with our chief executive officer and managing director, however we have not entered into or finalized agreements with any of the other members of our executive management team. We operate in a highly competitive environment and competition for qualified personnel is intense. We may be unable to hire suitable field personnel for our technical team or there may be periods of time where a particular position remains vacant while a suitable replacement is identified and appointed. Our ability to sustain current operations or manage our growth will require us to continue to train, motivate and manage our employees and to attract, motivate and retain additional qualified personnel. We may not be successful in attracting and retaining the personnel required to grow or operate our business profitably.

Our ability to manage growth will have an impact on our business, financial condition and results of operations.

Our growth historically has been achieved through the acquisition of leaseholds and the expansion of our drilling programs. Future growth may place strains on our financial, technical, operational and administrative resources and cause us to rely more on project partners and independent contractors, potentially adversely affecting our financial position and results of operations. Our ability to grow will depend on a number of factors, including:

- our ability to obtain leases or options on properties;
- our ability to identify and acquire new exploratory prospects;
- our ability to develop existing prospects;
- our ability to continue to retain and attract skilled personnel;
- our ability to maintain or enter into new relationships with project partners and independent contractors;
- the results of our drilling programs;
- commodity prices; and
- our access to capital.

We may not be successful in upgrading our technical, operational and administrative resources or increasing our internal resources sufficiently to provide certain of the services currently provided by third parties, and we may not be able to maintain or enter into new relationships with project partners and independent contractors on financially attractive terms, if at all. Our inability to achieve or manage growth may materially and adversely affect our business, results of operations and financial condition.

We may incur losses as a result of title deficiencies.

We may lose title to, or interests in, our leases and other properties if the conditions to which those interests are subject are not satisfied or if insufficient funds are available to meet the commitments.

The existence of title deficiencies with respect to our oil and natural gas properties could reduce their value or render such properties worthless, which would have a material adverse effect on our business and financial results. We do not obtain title insurance and have not necessarily obtained drilling title opinions on all of our oil and natural gas properties. As is customary in the industry in which we operate, we generally rely upon the judgment of oil and natural gas lease brokers or independent landmen who perform the field work in examining records in the appropriate governmental offices and abstract facilities before attempting to acquire or place under lease a specific mineral interest.

and before drilling a well on a leased tract, and we generally make title investigations and receive title opinions of local counsel before we commence drilling operations. In some cases, we perform curative work to correct deficiencies in the marketability or adequacy of the title assigned to us. In cases involving more serious title problems, the amount paid for affected oil and natural gas leases can be lost, and the target area can become undrillable. While we undertake to cure all title deficiencies prior to drilling, the failure of title may not be discovered until after a well is drilled, in which case we may lose the lease, our investment in the well and the right to produce all or a portion of the minerals under the property. A significant portion of our acreage is undeveloped leasehold, which has a greater risk of title defects than developed acreage.

Our operations are subject to health, safety and environmental laws and regulations that may expose us to significant costs and liabilities.

The conduct of exploration for, and production of, hydrocarbons may expose our staff to potentially dangerous working environments. Occupational health and safety legislation and regulations differ in each jurisdiction. In March 2016, the Occupational Safety and Health Administration (“OSHA”) issued a final rule related to worker exposure to respirable dust from silica sand, a common additive to hydraulic fracturing fluids. Compliance with the rule may require significant investment in engineering and workplace controls. If any of our employees suffer injury or death, compensation payments or fines may have to be paid, and such circumstances could result in the loss of a license or permit required to carry on the business, or other legislative sanction, all of which have the potential to materially and adversely affect our business, results of operations and financial condition.

There is an inherent risk of incurring significant environmental costs and liabilities in the performance of our operations, some of which may be material, due to our handling of petroleum hydrocarbons and wastes, our emissions to air and water, the underground injection or other disposal of our wastes and historical industry operations and waste disposal practices. Under certain environmental laws and regulations, we may be liable, regardless of whether we were at fault, for the full cost of removing or remediating contamination, even when multiple parties contributed to the release and the contaminants were released in compliance with all applicable laws. In addition, accidental spills or releases on our properties may expose us to significant liabilities that could have a material adverse effect on our financial condition and results of operations. Aside from government agencies, the owners of properties where our wells are located, the operators of facilities where our petroleum hydrocarbons or wastes are taken for reclamation or disposal and other private parties may be able to sue us to enforce compliance with environmental laws and regulations, as well as collect penalties for violations or obtain damages for any related personal injury or property damage. Some sites we operate are located near current or former third-party oil and natural gas operations or facilities, and there is a risk that contamination has migrated from those sites to ours. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly material handling, emission, waste management or cleanup requirements could require us to make significant expenditures to attain and maintain compliance or may otherwise materially and adversely affect our business, results of operations and financial condition. We may not be able to recover some or any of these costs from insurance. Federal and state regulators are increasingly targeting greenhouse gas emissions from oil and gas operations. While these regulatory efforts are evolving, they may require the installation of emission controls or mandate other action that may result in increased costs of operation, delay, uncertainty or exposure to liability.

In addition, our operations and financial performance may be adversely affected by governmental action, including delay, inaction, policy change or the introduction of new, or amendment of or changes in interpretation of existing legislation or regulations, particularly in relation to foreign ownership, access to infrastructure, environmental regulation (including in respect of carbon emissions and management), royalties and production and exploration licensing.

We have entered into physical delivery contracts that will require further development in order to deliver all the oil required under such contracts.

We entered into midstream contracts with a large pipeline company and production purchaser (the “Midstream Partner”) to provide gathering, processing, transport and marketing of production for the newly acquired Eagle Ford assets. The contracts contain minimum revenue commitments (“MRCs”), a portion of which is secured by letters of

credit and performance bonds. If the planned development program is not executed to the extent projected, we may not produce sufficient quantities of hydrocarbons to meet the MRCs and may be required to make cash deficiency payments. The deficiency payments would reduce liquidity to invest in growing the business and profitability. If we are unable to make the deficiency payments, the letters of credit and performance bonds may be drawn causing an increase in our level of indebtedness and potentially result in a default under our loan covenants.

Hydraulic fracturing, which is the process used for releasing hydrocarbons from shale rock, has recently come under increased scrutiny and could be the subject of further regulation that could impact the timing and cost of development.

Hydraulic fracturing is an important and commonly used process in the completion of unconventional oil and natural gas wells. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into deep rock formations to stimulate oil or natural gas production. Currently, hydraulic fracturing is primarily regulated in the United States at the state level, which generally focuses on regulation of well design, pressure testing and other operating practices. However, some states and local jurisdictions across the United States, including states in which we operate, have begun adopting more restrictive regulations, including measures such as:

- required disclosure of chemicals used during the hydraulic fracturing process;
- restrictions on wastewater disposal activities;
- required baseline and post-drilling sampling of water supplies in close proximity to hydraulic fracturing operations;
- new municipal or state land use regulations, such as changes in setback requirements, which may restrict drilling locations or related activities;
- financial assurance requirements, such as the posting of bonds, to secure site restoration obligations; and
- local moratoria or even bans on oil and natural gas development utilizing hydraulic fracturing in some communities.

On March 20, 2015, the Bureau of Land Management (“BLM”) issued its final regulations for hydraulic fracturing on federal and tribal lands. The new regulations require, among other things, disclosure of chemicals, annulus pressure monitoring, flow back and produced water management and storage, and more stringent well integrity measures associated with hydraulic fracturing operations on public land. On June 21, 2016, however, the U.S. District Court for the District of Wyoming enjoined BLM from enforcing the regulations, concluding that the agency lacked the authority to issue them. BLM appealed that decision to the U.S. Court of Appeals for the Tenth Circuit. The appeal is pending. In the meantime, the administration is undergoing a new rulemaking process to roll back the regulation.

At the U.S. federal level, hydraulic fracturing that does not involve the use of diesel fuels is exempt from regulation under the Safe Drinking Water Act (“SDWA”). However, the United States Congress (“Congress”) has considered and may continue to consider eliminating this regulatory exemption, which could subject hydraulic fracturing activities to regulation and permitting by the Environmental Protection Agency (“EPA”) under the SDWA. On June 28, 2016, the EPA issued final pre-treatment standards prohibiting the disposal of wastewater pollutants from on-shore unconventional oil and gas extraction facilities to publicly owned treatment works. EPA’s regulation of hydraulic fracturing may result in our incurring additional costs to comply with such requirements that may be significant in nature. Such regulation may result in our experiencing delays or curtailment in the pursuit of exploration, development, or production activities, and we could even be prohibited from drilling and/or completing certain wells.

Despite the existing regulatory exemption, the EPA has begun utilizing other legal authorities in various ways to regulate portions of the hydraulic fracturing process, exemplified by its issuance of regulations under the Clean Air Act limiting emission of pollutants during the hydraulic fracturing process, as well as its recent initiation of a proposed

rulemaking under the Toxic Substances Control Act to obtain data on chemical substances and mixtures used in hydraulic fracturing. In addition, the United States Department of the Interior has proposed comprehensive regulations governing the use of hydraulic fracturing on federally managed lands. Under the new administration, many of these regulations are under review and may be repealed or revised.

These efforts by Congress, federal regulators, states and local governments could result in additional costs, delay and operational uncertainty that could limit, preclude or add costs to use of hydraulic fracturing in our drilling operations.

Conservation measures and technological advances could reduce demand for crude oil, natural gas and NGLs.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to crude oil, natural gas and NGLs, technological advances in fuel economy and energy generation devices could reduce demand for crude oil, natural gas and NGLs. The impact of the changing demand for crude oil, natural gas and NGL services and products may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our ability to produce oil and natural gas economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations or are unable to dispose of or recycle the water we use economically and in an environmentally safe manner.

Drilling activities require the use of water. For example, the hydraulic fracturing process that we employ to produce commercial quantities of oil and natural gas from many reservoirs, including the Eagle Ford, requires the use and disposal of significant quantities of water. In certain areas, there may be insufficient local aquifer capacity to provide a source of water for drilling activities. Water must be obtained from other sources and transported to the drilling site. The effects of climate change may further exacerbate water scarcity in certain regions.

Our inability to secure sufficient amounts of water, or to dispose of or recycle the water used in our operations, could adversely impact our operations in certain areas. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on our ability to conduct certain operations such as hydraulic fracturing or disposal of waste, including, but not limited to, produced water, drilling fluids and other materials associated with the exploration, development or production of oil and natural gas. In particular, regulatory focus on disposal of produced water and drilling waste through underground injection has increased because of alleged links between such injection and regional seismic impacts in disposal areas.

Compliance with environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells may increase our operating costs and cause delays, interruptions or termination of our operations, the extent of which cannot be predicted, all of which could materially and adversely affect our business, results of operations and financial condition.

Climate change laws and regulations restricting emissions of “greenhouse gases” could result in increased operating costs and reduced demand for the oil and natural gas that we produce while the physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those effects.

On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other “greenhouse gases” present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to the warming of the Earth’s atmosphere and other climatic changes. These findings by the EPA have allowed the agency to proceed with the adoption and implementation of regulations restricting emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Among other things, EPA regulations now require specified large greenhouse gas emitters in the United States, including companies in the energy industry, to annually report those emissions. New major sources or significant modifications of existing sources of traditional air pollutants are required to obtain permits and to use best available control technology to control those emissions pursuant to the Clean Air Act as a prerequisite to the development of that emissions source. In addition, sources subject to best available control technology for traditional air pollutants are now also required to use best

available control technology to control significant greenhouse gas emissions. While these regulations have not to date materially affected us, such regulations may over time require us to incur costs to reduce emissions of greenhouse gases associated with our operations or could adversely affect demand for the oil and natural gas we produce.

In addition, the EPA finalized its New Source Performance Standard (“NSPS”) rule regulating carbon dioxide from new, modified and reconstructed fossil fuel-fired power plants and the Clean Power Plan for existing fossil fuel-fired power plants. While these rules will more negatively impact coal-fired power plants, natural gas-fired power plants may also face liability under the rules and increased costs of operation.

In May 2016, the EPA issued final regulations intended to reduce methane emissions from the oil and gas sector by 40 to 45 percent from 2012 levels by 2025. On October 20, 2016, EPA issued final Control Techniques Guidelines for reducing smog-forming VOC emissions from existing oil and natural gas equipment and processes in certain states and areas with smog problems. The methane regulations could affect us indirectly by affecting our customer base or by directly regulating our operations. The Obama-era methane regulations are currently under review by the Trump administration and may be replaced, revised or repealed; such actions are the subject of ongoing litigation.

In addition, Congress has considered legislation to restrict or regulate emissions of greenhouse gases, such as carbon dioxide and methane that are understood to contribute to global warming. While comprehensive climate legislation will likely not be passed by either house of Congress in the near future, energy legislation and other initiatives continue to be proposed that may be relevant to greenhouse gas emissions issues. In addition, almost half of the states, either individually or through multi-state regional initiatives, have begun to address greenhouse gas emissions, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Although most of the state-level initiatives have to date been focused on large sources of greenhouse gas emissions such as electric power plants, smaller sources could become subject to greenhouse gas-related regulation. Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from our operations. Any future federal laws or implementing regulations that may be adopted to address greenhouse gas emissions could require us to incur increased operating costs and could adversely affect demand for the oil and natural gas we produce.

Finally, increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods, droughts and other climatic events. If any such effects were to occur, they could have an adverse effect on our exploration and production operations. Significant physical effects of climate change could also have an indirect effect on our financing and operations by disrupting the transportation or process-related services provided by midstream companies, service companies or suppliers with whom we have a business relationship. We may not be able to recover through insurance some or any of the damages, losses, or costs that may result from potential physical effects of climate change.

Terrorist attacks aimed at energy operations could adversely affect our business.

The continued threat of terrorism and the impact of military and other government action have led and may lead to further increased volatility in prices for oil and natural gas and could affect these commodity markets or the financial markets used by us. In addition, the U.S. government has issued warnings that energy assets may be a future target of terrorist organizations. These developments have subjected oil and natural gas operations to increased risks. Any future terrorist attack on our facilities, customer facilities, the infrastructure depended upon for transportation of products, and, in some cases, those of other energy companies, could have a material adverse effect on our business.

General economic conditions could adversely affect our business and future growth.

Instability in the global financial markets may have a material impact on our liquidity and financial condition, and we may ultimately face major challenges if conditions in the financial markets were to materially change or worsen. Our ability to access the capital markets or to borrow money may be restricted or may be more expensive at a time when we would need to raise capital, which could have an adverse effect on our flexibility to react to changing economic and business conditions and on our ability to fund our operations and capital expenditures in the future. Such economic conditions could have an impact on our customers, causing them to fail to meet their obligations to us. In addition, it

could have an impact on the liquidity of our operating partners, resulting in delays in operations or their failure to make required payments.

Also, market conditions could have an impact on our oil and natural gas derivative instruments if our counterparties are unable to perform their obligations or seek bankruptcy protection, which could lead to reductions in the demand for oil and natural gas, or reductions in the prices of oil and natural gas or both, which could have an adverse impact on our financial position, results of operations and cash flows. While the ultimate outcome and impact of changing economic conditions cannot be predicted, they may materially and adversely affect our business, results of operations and financial condition.

Changes in the differential between benchmark prices of oil and natural gas and the reference or regional index price used to price our actual oil and natural gas sales could have a material adverse effect on our results of operations and financial condition.

The reference or regional index prices that we will use to price our oil and natural gas sales sometimes will reflect a discount to the relevant benchmark prices. The difference between the benchmark price and the price we reference in our sales contracts is called a differential. We cannot accurately predict oil and natural gas differentials. Changes in differentials between the benchmark price for oil and natural gas and the reference or regional index price we reference in our sales contracts could materially and adversely affect our business, results of operations and financial condition.

Recent federal legislation could have an adverse impact on our ability to use derivative instruments to reduce the effects of commodity prices, interest rates and other risks associated with our business.

Historically, we have entered into a number of commodity derivative contracts in order to hedge a portion of our oil and natural gas production. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), which requires the SEC and the Commodity Futures Trading Commission (“CFTC”) to promulgate rules and regulations implementing the legislation. In its rulemaking under the Dodd-Frank Act, the CFTC has proposed new regulations to set position limits for certain futures, options and swap contracts in designated physical commodities, including, among others, oil and natural gas. Certain bona fide hedging transactions positions would be exempt from the position limits as currently proposed. It is not possible at this time to predict when the CFTC will finalize these regulations or whether the proposed rules will be modified prior to becoming effective, so the impact of those provisions on us is uncertain at this time. The Dodd-Frank Act and CFTC rules have also designated certain types of swaps (thus far, only certain interest rate swaps and credit default swaps) for mandatory clearing and exchange trading, and may designate other types of swaps for mandatory clearing and exchange trading in the future. To the extent that we engage in such transactions or transactions that become subject to such rules in the future, we will be required to comply with the clearing and exchange trading requirements or to take steps to qualify for an exemption to such requirements. In addition, certain banking regulators and the CFTC have adopted final rules establishing minimum margin requirements for uncleared swaps. Although we expect to qualify for the end-user exception from margin requirements for swaps to other market participants, such as swap dealers, these rules may change the cost and availability of the swaps we use for hedging. If any of our swaps do not qualify for the commercial end-user exception, we could be required to post initial or variation margin, which would impact liquidity and reduce our cash. This would in turn reduce our ability to execute hedges to reduce risk and protect cash flows.

Other regulations to be promulgated under the Dodd-Frank Act also remain to be finalized. As a result, it is not possible at this time to predict with certainty the full effects of the Dodd-Frank Act and CFTC rules on us and the timing of such effects. The Dodd-Frank Act and regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives as a result of the Dodd-Frank Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Further, to the extent our revenues are unhedged, they could be adversely affected if a consequence of the Dodd-Frank Act and implementing regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our financial position, results of operations

and cash flows. In addition, non-U.S. jurisdictions are implementing regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions, we may become subject to such regulations. At this time, the impact of such regulations is not clear.

We may be subject to risks in connection with acquisitions, and the integration of significant acquisitions may be difficult.

In accordance with our business strategies, we periodically evaluate acquisitions of reserves, properties, prospects and leaseholds and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- development and operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the properties to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. We often are not entitled to contractual indemnification for environmental liabilities and acquire properties on an “as is” basis.

Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of our management’s attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;
- the challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of our operations while carrying on our ongoing business;
- difficulty associated with coordinating geographically separate organizations; and
- the challenge of attracting and retaining personnel associated with acquired operations.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business. Our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

In addition, even if we successfully integrate an acquisition, it may not be possible to realize the full benefits we may expect, including with respect to estimated proved reserves, production volume or cost savings from operating synergies, within our expected time frame. Anticipated benefits of an acquisition may also be offset by operating losses relating to changes in commodity prices in oil and natural gas industry conditions, risks and uncertainties relating to the exploratory prospects of the combined assets or operations, or an increase in operating or other costs or other difficulties. Failure to realize the benefits we anticipate from an acquisition may materially and adversely affect our business, results of operations and financial condition.

Our business could be negatively impacted by security threats, including cyber-security threats, and other disruptions.

The oil and natural gas industry has become increasingly dependent on digital technologies to conduct day-to-day operations including certain exploration, development and production activities. For example, software programs are used to interpret seismic data, manage drilling rigs, production equipment and gathering and transportation systems, as well as conduct reservoir modeling and reserve estimation for compliance reporting.

We are dependent on digital technologies including information systems and related infrastructure, to process and record financial and operating data, communicate with our employees, business partners, and shareholders, analyze seismic and drilling information, estimate quantities of oil and natural gas reserves as well as other activities related to our business. Our business partners, including vendors, service providers, purchasers of our production and financial institutions are also dependent on digital technology. The technologies needed to conduct oil and natural gas exploration, development and production activities make certain information the target of theft or misappropriation.

As dependence on digital technologies has increased, cyber incidents, including deliberate attacks or unintentional events, have also increased. A cyber-attack could include gaining unauthorized access to digital systems for the purposes of misappropriating assets or sensitive information, corrupting data, causing operational disruption, or result in denial-of-service on websites.

Our technologies, systems, networks, and those of our business partners may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of our business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period of time. A cyber incident involving our information systems and related infrastructure, or that of our business partners, could disrupt our business plans and negatively impact our operations.

The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the “TCJA”), which significantly reforms the Internal Revenue Code of 1986, as amended (the “Code”). The TCJA, among other things, contains significant changes to existing U.S. tax laws, including a permanent reduction of the corporate income tax rate from a maximum rate of 35% to 21%, a partial limitation on the deductibility of interest expense, a new base erosion and anti-abuse tax, limitation on the deductibility of certain net operating losses (“NOLs”) to 80% of current year taxable income, an indefinite carryforward of certain NOLs, immediate deductions for certain new investments, and the modification or repeal of certain business deductions and credits. We continue to examine the impact of the TCJA and additional administrative and regulatory guidance as it is released. The TCJA could adversely affect our business and financial condition. The impact of this tax reform legislation on holders of our ordinary shares is also uncertain and could be adverse.

Risks Related to our Shares and ADSs

The market price and trading volume of our ordinary shares and ADSs may be volatile and may be affected by economic conditions beyond our control.

Our ordinary shares are listed on the ASX under the symbol “SEA” and our ordinary shares in the form of ADSs are listed on Nasdaq under the symbol “SNDE.” The market price of our ordinary shares on the ASX and ADSs on Nasdaq may be highly volatile and subject to wide fluctuations. In addition, the trading volume of our ordinary shares and ADSs may fluctuate and cause significant price variations to occur. If the market price of our ordinary shares or ADSs declines significantly, you may be unable to resell your ordinary shares or ADSs at or above the purchase price, if at all. We cannot assure you that the market price of our ordinary shares or ADSs will not fluctuate or significantly decline in the future.

Some specific factors that could negatively affect the price of our ordinary shares and ADSs or result in fluctuations in their price and trading volume include:

- actual or expected fluctuations in our operating results or liquidity;
- actual or expected changes in our growth rates or our competitors' growth rates;
- changes in commodity prices for oil, natural gas and NGLs we produce;
- changes in market valuations of similar companies;
- changes in our key personnel;
- changes in financial estimates or recommendations by securities analysts;
- changes or proposed changes in laws and regulations affecting the oil and natural gas industry;
- sales of ordinary shares by us, our directors, executive officers or our shareholders in the future;
- announcements by us or competitors of significant acquisitions, strategic partnerships, joint ventures, or capital commitments;
- actions taken by our lenders;
- conditions in the oil and natural gas industry in general;
- conditions in the financial markets or changes in general economic conditions; and
- the other factors described in this "Risk Factors" section.

The dual listing of our ordinary shares and ADSs may adversely affect the liquidity and value of our ordinary shares and ADSs.

Our ADSs are traded on Nasdaq, and the underlying ordinary shares are traded on the ASX. The dual listing of our ordinary shares and ADSs may dilute the liquidity of these securities in one or both markets and may adversely affect the maintenance of an active trading market for ADSs in the United States. The price of our ADSs could also be adversely affected by trading in our ordinary shares on the ASX. Although our ordinary shares are currently listed on the ASX, we may decide at some point in the future to delist our ordinary shares from the ASX, and our shareholders may approve such delisting. We cannot predict the effect such delisting of our ordinary shares on the ASX would have on the market price of our ADSs on Nasdaq.

The sale or availability for sale of substantial amounts of our ordinary shares or ADSs could adversely affect their market price.

Sales of our ordinary shares or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ordinary shares or ADSs to decline. As of April 24, 2018, we had 6,867,696,796 ordinary shares outstanding, with 613,608,618 of our ordinary shares being held in the United States by 77 holders of record and 6,225,822,965 of our ordinary shares being held in Australia by 6,119 holders of record. Among these shares, 134,077,500 ordinary shares are in the form of ADSs, which are freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares and ADSs outstanding are, subject to the applicable requirements of Rule 144 under the Securities Act, available for sale. Sales, or perceived potential sales, by our existing shareholders and ADSs might make it more difficult for us to issue new equity or equity-related securities in the future at such a time and place as we deem appropriate.

While our ADSs are listed on Nasdaq, trading is limited, sporadic and volatile. There is no assurance that an active trading market in our ADSs will develop in the United States, or if such a market develops, that it will be sustained. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our ADSs in the United States.

ADSs represent only a relatively small percentage of our ordinary shares, which may limit the liquidity of the ADSs and have a negative impact on the price of the ADSs.

ADSs represent only a relatively small number of our ordinary shares actively traded in public markets. Limited liquidity may increase the volatility of the prices of our ADSs and the underlying ordinary shares.

Future sales and issuances of our ADSs or rights to purchase ADSs and any equity financing that we pursue, could result in significant dilution of the percentage ownership of our shareholders and could cause our ADS price to fall.

To the extent we raise additional capital by issuing equity securities, our shareholders may experience substantial dilution. In any financing transaction, we may sell ordinary shares or ADSs, convertible securities or other equity securities. If we sell ordinary shares or ADSs, convertible securities or other equity securities, our shareholders and ADS holders investment in our ordinary shares or ADSs will be diluted. These sales may also result in material dilution to our existing shareholders and ADS holders, and new investors could gain rights superior to our existing shareholders and ADS holders.

ADS holders are not shareholders and do not have shareholder rights.

The Bank of New York Mellon, as depositary, executes and delivers ADSs on our behalf. Each ADS is a certificate evidencing a specific number of ADSs. ADS holders will not be treated as shareholders and do not have the rights of shareholders. The depositary will be the holder of the shares underlying the ADSs. Holders of our ADSs will have ADS holder rights. A deposit agreement among us, the depositary and the ADS holders, and the beneficial owners of ADSs, sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs and Australian law and our Constitution govern shareholder rights.

ADS holders do not have the same rights to receive dividends or other distributions as our shareholders. Subject to any special rights or restrictions attached to a share, the directors may determine that a dividend will be payable on a share and fix the amount, the time for payment and the method for payment (although we have never declared or paid any cash dividends on our ordinary shares and we do not anticipate paying any cash dividends in the foreseeable future). Dividends and other distributions payable to our shareholders with respect to our ordinary shares generally will be payable directly to them. Any dividends or distributions payable with respect to ordinary shares underlying ADSs will be paid to the depositary, which has agreed to pay to the ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. The ADS holders will receive these distributions in proportion to the number of shares their ADSs represent. In addition, there may be certain circumstances in which the depositary may not pay to the ADS holders amounts distributed by us as a dividend or distribution.

You must act through the ADR depositary to exercise your voting rights and, as a result, you may be unable to exercise your voting rights on a timely basis.

Holders of our ADSs (and not the ordinary shares underlying ADSs) will not be treated as one of our shareholders and will not have shareholder rights. The ADR depositary will be the holder of the ordinary shares underlying ADSs, and ADS holders will only be able to exercise voting rights with respect to the ordinary shares represented by ADSs in accordance with the deposit agreement relating to our ADSs. There are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our ordinary shares will receive notice of shareholders' meetings by mail and will be able to exercise their voting rights by either attending the shareholders meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide notice to the ADR depositary of any such shareholders meeting and details

concerning the matters to be voted upon at least 30 days in advance of the meeting date. If we so instruct, the ADR depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which voting instructions may be given by holders as soon as practicable after receiving notice from us of any such meeting. To exercise their voting rights, ADS holders must then instruct the ADR depositary as to voting the ordinary shares represented by their ADSs. Due to these procedural steps involving the ADR depositary, the process for exercising voting rights may take longer for ADS holders than for holders of ordinary shares. The ordinary shares represented by ADSs for which the ADR depositary fails to receive timely voting instructions will not be voted.

You may be subject to limitations on transfer of our ADSs.

Our ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby may only be instituted in a state or federal court in New York, New York, and pursuant to the deposit agreement, holders of our ADSs have irrevocably waived any objection which they may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Notwithstanding the foregoing, however, the depositary may, in its sole discretion, require that any such action, controversy, claim, dispute, legal suit or proceeding be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement subject to certain exceptions solely related to the aspects of such claims that are related to U.S. securities law, in which case the resolution of such aspects may, at the option of such registered holder of the ADSs, remain in state or federal court in New York, New York. The deposit agreement may also be amended without the consent of the ADS holders without their consent. Holders of our ADSs will be bound to any such amendment to the deposit agreement.

Fluctuations in the exchange rate between the U.S. dollar and the Australian dollar may increase the risk of holding our ADSs.

Our ordinary shares currently trade on the ASX in Australian dollars, while our ADSs trade on Nasdaq in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the Australian dollar may result in differences between the value of our ADSs and the value of our ordinary shares, which may result in heavy trading by investors seeking to exploit such differences. In addition, as a result of fluctuations in the exchange rate between the U.S. dollar and the Australian dollar, the U.S. dollar equivalent of the proceeds that a holder of ADSs would receive upon the sale in Australia of any ordinary shares withdrawn from the depositary upon calculation of the corresponding ADSs and the U.S. dollar equivalent of any cash dividends paid in Australian dollars on our ordinary shares represented by ADSs could also decline.

As a foreign private issuer whose ADSs are listed on Nasdaq, we may follow certain home country corporate governance practices instead of certain Nasdaq requirements.

Nasdaq listing rules allow for a foreign private issuer, such as Sundance, to follow its home country practices in lieu of certain of the Nasdaq's corporate governance standards. This allows us to follow certain corporate governance practices that differ in certain respects from the corporate governance requirements applicable to U.S. companies listed

on Nasdaq. For example, we are exempt from regulations of Nasdaq that require listed companies organized in the United States to:

- have a majority of the board of directors consist of independent directors;
- require non-management directors to meet on a regular basis without management present;
- require an issuer to provide for a quorum in its by-laws for any meeting of shareholders that is not less than 33 1/3% of the outstanding shares of the company's common voting stock; and
- seek shareholder approval for the implementation of certain equity compensation plans and issuances of ordinary shares.

As a foreign private issuer, we are permitted to, and do follow home country practices in lieu of the above requirements. Accordingly, our holders of ADSs and ordinary shares may not have the same protections afforded to shareholders of companies that are subject to these Nasdaq requirements.

If we fail to establish and maintain proper internal controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

The Company is subject to Section 404(a) of the Sarbanes-Oxley Act, which requires that our management assess and report annually on the effectiveness of our internal controls over financial reporting and identify any material weaknesses in our internal controls over financial reporting. Although Section 404(b) of the Sarbanes-Oxley Act requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal controls over financial reporting, we have opted to rely on the exemptions provided in the JOBS Act, and consequently will not be required to comply with SEC rules that implement Section 404(b) of the Sarbanes-Oxley Act until such time as we are no longer an emerging growth company.

Our management has concluded that our internal controls over financial reporting were effective as of December 31, 2017. However, if we fail to maintain effective internal controls over financial reporting in the future, the presence of material weaknesses could result in financial statement errors which, in turn, could lead to errors in our financial reports and/or delays in our financial reporting, which could require us to restate our operating results or our auditors may be required to issue a qualified audit report. We might not identify one or more material weaknesses in our internal controls in connection with evaluating our compliance with Section 404(a) of the Sarbanes-Oxley Act. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we will need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal control.

In addition, if we are unable to conclude that we have effective internal controls over financial reporting, investors may lose confidence in our operating results, the price of our shares could decline and we may be subject to litigation or regulatory enforcement actions.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As a "foreign private issuer" we are not required to comply with all the periodic disclosure and current reporting requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act") and related rules and regulations. Under SEC rules, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to us on June 30, 2018.

Since our operations are located in the U.S., we would lose our foreign private issuer status in the future if a majority of our ordinary shares (including those represented by ADSs) are owned by U.S. shareholders and a majority of our shareholders, directors or management are U.S. citizens or residents. The regulatory and compliance costs to us under applicable U.S. securities laws as a U.S. domestic issuer may be significantly higher than our current regulatory and compliance costs. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus, equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose compensation information on an aggregate basis. We will also have to report our results under U.S. Generally Accepted Accounting Principles, rather than under IFRS, as a domestic registrant. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. We may also be required to modify certain of our policies to comply with corporate governance practices required for U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements of the Nasdaq Stock Market that are available to foreign private issuers.

We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports. We expect to continue to take advantage of some or all of the available exemptions. We cannot predict whether investors will find our ADSs less attractive if we rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and the market price of the ADSs may be more volatile.

We incur increased costs as a result of operating as a company with ADSs that are publicly traded in the United States, and our management is now required to devote substantial time to new compliance initiatives.

As a company with ADSs that are publicly traded in the United States, and particularly after we are no longer an “emerging growth company,” we have incurred and will continue to incur significant legal, accounting and other expenses that we did not previously incur prior to our listing on Nasdaq. In addition, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

However, for as long as we remain an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We may remain an emerging growth company until:

- the end of the first fiscal year in which the market value of our ordinary shares that are held by non-affiliates is at least \$700 million as of the end of the second quarter of such fiscal year;
- the end of the first fiscal year in which we have total annual gross revenues of at least \$1.07 billion;
- the date on which we have issued more than \$1 billion in non-convertible debt securities in any rolling three year period; or
- December 31, 2020.

We could be classified as a “passive foreign investment company,” which could result in adverse U.S. federal income tax consequences to U.S. holders of ordinary shares or ADSs.

Based on our business results for the last fiscal year and composition of our assets, we do not believe that we were a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for the taxable year ended December 31, 2017. Similarly, based on our business projections and the anticipated composition of our assets for the current and future years, we do not expect that we will be a PFIC for the taxable year ending December 31, 2018. However, a separate determination is required after the close of each taxable year as to whether we are a PFIC. If our actual business results do not match our projections, it is possible that we may become a PFIC in the current or any future taxable year. A non-U.S. corporation will be considered a PFIC for a taxable year if either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during the fiscal year) is attributable to assets that produce or are held for the production of passive income. If we are a PFIC for any taxable year during which a U.S. holder (as defined in Item 10.E. “Additional Information—Taxation—U.S. Federal Income Tax Considerations”) holds an ADS or an ordinary share, certain adverse U.S. federal income tax consequences could apply to such U.S. holder. See Item 10.E. “Additional Information—Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company.”

We have never declared or paid dividends on our ordinary shares and we do not anticipate paying dividends in the foreseeable future.

We have never declared or paid cash dividends on our ordinary shares. For the foreseeable future, we currently intend to retain all available funds and any future earnings to support our operations and to finance the growth and development of our business. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit our ability to pay dividends, and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our Board of Directors may deem relevant. We do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future. As a result, a return on your investment will only occur if the price of our ordinary shares or ADSs appreciates.

U.S. investors may have difficulty enforcing civil liabilities against us and our non-U.S. resident directors.

We are a public limited company incorporated under the laws of Australia. Certain of our directors are non-residents of the United States and substantially all of their assets are located outside the United States. As a result, it may not be possible to serve process on such persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares.

We are incorporated in Australia and are subject to the takeover laws of Australia. Among other things, we are subject to the Corporations Act 2001 (“Corporations Act”). Subject to a range of exceptions, the Corporations Act prohibits the acquisition of a direct or indirect interest in our issued voting shares if the acquisition of that interest will lead to a person’s voting power in us increasing to more than 20%, or increasing from a starting point that is above 20%, though below 90%. Australian takeover laws may discourage takeover offers being made for us or may discourage the acquisition of a significant position in our ordinary shares. This may have the ancillary effect of entrenching our Board of Directors and may deprive or limit our shareholders’ opportunity to sell their ordinary shares and may further restrict the ability of our shareholders to obtain a premium from such transactions.

Our Constitution and Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders.

As an Australian company, we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our Constitution, as well as the Australian Corporations Act, set forth various rights

and obligations that are unique to us as an Australian company. These requirements may operate differently than those of many U.S. companies.

We have broad discretion in the use of our cash and cash equivalents and may not use them effectively.

Our management has broad discretion in the use of our cash and cash equivalents and could spend our funds in ways that do not improve our results of operations or enhance the value of our ADSs and ordinary shares. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business, cause the market price of our ADSs and ordinary shares to decline and delay the development of our properties.

Item 4. Information on Sundance

A. History and Development

Sundance Energy Australia Limited, a public onshore oil and natural gas company, was incorporated under the laws of Australia in December 2004. In April 2005, we completed an initial public offering of our ordinary shares and listing of these shares on the ASX under the symbol “SEA.” In September 2016, we implemented a sponsored ADR program with The Bank of New York Mellon. Our ADSs are listed on Nasdaq under the symbol “SNDE.” Each ADR represents 100 of our ordinary shares.

Our principal office is located at 633 17th Street, Suite 1950, Denver, Colorado 80202. Our telephone number is (303) 543-5700. Our website address is www.sundanceenergy.net. Information on our website and the websites linked to it do not constitute part of this annual report. Our agent for service of process in the United States is Sundance Energy, Inc., which has its principal place of business at 633 17th Street, Suite 1950, Denver, Colorado 80202.

We are an onshore oil and natural gas company focused on the exploration, development and production of large, repeatable resource plays, primarily in south Texas targeting the Eagle Ford formation (“Eagle Ford”).

Acquisitions

On April 23, 2018, we completed the acquisition of approximately 21,900 net acres in the oil and volatile oil windows of the Eagle Ford shale located in McMullen, Live Oak, Atascosa and La Salle counties in Texas for cash consideration of \$221.5 million. The purchase included approximately 132 producing wells that averaged 1,700 net Boe/day in December 2017.

In the first half of 2017, we acquired four leases totaling approximately 3,100 net acres in the Eagle Ford for consideration of \$5.6 million.

In December 2016, we acquired approximately 130 net acres in McMullen County, Texas, which included 23 gross (1.5 net) producing wells (primarily Sundance-operated), for consideration of \$7.2 million.

In July 2016, we acquired approximately 5,050 net acres in McMullen County, Texas, which included 26 gross (9.1 net) producing wells (primarily Sundance-operated), for consideration of \$15.9 million.

In August 2015, we acquired approximately 5,500 net acres in Atascosa County, Texas, which included 7 gross producing wells and 2 wells that had been drilled but not yet completed (one of such wells was subsequently completed by the Company) for consideration of \$16.4 million. The acquisition also included a 17.5 percent working interest in the PEL 570 concession in the Cooper Basin in Australia. We plan to dispose of the PEL570 assets as these assets are not core to our business.

In January 2015, we acquired three leases totaling approximately 14,180 net acres in the Eagle Ford for approximately \$13.4 million.

Divestitures

In May 2017, we divested our interests in the Mississippian/Woodford assets located in Oklahoma for net cash proceeds of \$15.4 million. The properties spanned approximately 27,000 gross acres (18,000 net).

In December 2016, we divested an acreage block containing 3,336 gross (2,709 net) acres located in Atascosa County, Texas, which was undeveloped and outside our core development project area, for consideration of \$7.1 million.

B. Business Overview

We are an onshore oil and natural gas company focused on the exploration, development and production of large, repeatable resource plays in North America. As of December 31, 2017, all of our oil and natural gas properties are located in South Texas and primarily target the Eagle Ford shale.

We intend to utilize our U.S.-based management and technical team to appraise, develop, produce and grow our portfolio of assets. Our strategy is to develop assets where we are the operator and have high working interests, which positions us to control the pace of our development and the allocation of our capital resources. As of December 31, 2017, we operated 91% of our net producing wells and our average working interest in our operated wells we operate was approximately 92%.

Our Operations

Estimated Proved Reserves

The following table presents summary information regarding our estimated net proved oil and natural gas reserves as of the dates indicated. The estimates of our net proved reserves as of December 31, 2017 and 2016 are based on the reserve reports prepared by Ryder Scott, in accordance with the rules and regulations of the SEC regarding oil and natural gas reserve reporting. For more information about our proved reserves as of December 31, 2017 and 2016, please see the reports to management prepared by Ryder Scott, which have been filed or incorporated by reference, as exhibits to this annual report.

	As of December 31,	
	2017	2016
Estimated proved reserves:		
Oil (MBbls)	27,987	18,441
Natural gas (MMcf)	59,409	35,730
NGL (MBbls)	9,190	5,094
Total estimated proved reserves (MBoe)(1)	47,079	29,490
Estimated proved developed reserves:		
Oil (MBbls)	8,987	7,440
Natural gas (MMcf)	21,078	16,704
NGL (MBbls)	3,244	2,269
Total estimated proved developed reserves (MBoe)(1)	15,744	12,493
Estimated proved undeveloped reserves:		
Oil (MBbls)	19,000	11,001
Natural gas (MMcf)	38,331	19,026
NGL (MBbls)	5,946	2,825
Total estimated proved undeveloped reserves (MBoe)(1)	31,335	16,997
PV-10 (in thousands)(2)	\$ 381,239	\$ 159,139
Standardized Measure (in thousands)	\$ 366,747	\$ 159,139

(1) Certain totals may not add due to rounding.

(2) PV-10 may be considered a non-IFRS financial measure as defined by the SEC and is derived from the standardized measure of discounted future net cash flows. For a reconciliation of PV-10 to the Standardized Measure, see the following section.

PV-10

Certain of our oil and natural gas reserve disclosures included in this annual report are presented on a PV-10 basis. PV-10 is the estimated present value of the future cash flows less future development and production costs from our proved reserves before income taxes discounted using a 10% discount rate. PV-10 may be considered a non-IFRS financial measure as defined by the SEC because it does not include the effects of future income taxes, as is required in computing the standardized measure of discounted future net cash flows (the “Standardized Measure”). We believe that PV-10 is an important measure that can be used to evaluate the relative significance of our oil and natural gas properties and is widely used by securities analysts and investors when evaluating oil and gas companies. Because many factors that are unique to each individual company impact the amount of future income taxes to be paid, we believe that the use of a pre-tax measure provides greater comparability of assets when evaluating companies, and that most other companies in the oil and gas industry calculate PV-10 on the same basis. Investors should be cautioned that neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our proved reserves.

The following table provides a reconciliation of PV-10 to the Standardized Measure (in thousands):

	As of December 31,	
	2017	2016
PV-10 of proved reserves	\$ 381,239	\$ 159,139
Present value of future income tax discounted at 10%	(14,492)	—
Standardized Measure	<u>\$ 366,747</u>	<u>\$ 159,139</u>

Proved Undeveloped Reserves

At December 31, 2017, our proved undeveloped reserves, all of which are located in the Eagle Ford, were approximately 31,335 MBoe, an increase of 14,338 MBoe over our December 31, 2016 proved undeveloped reserves estimate of approximately 16,997 MBoe. The change primarily consisted of extensions and discoveries of 10,140 MBoe and purchases of reserves of 10,678 MBoe (from its leasehold acquisitions in second quarter of 2017), partially offset by downward revisions to previous estimates of approximately 2,534 MBoe and a decrease of 3,948 MBoe due to the conversion of proved undeveloped reserves to proved developed reserves. During the year ended December 31, 2017, we incurred capital expenditures of approximately \$61.1 million to convert proved undeveloped reserves to proved developed reserves. The remainder of capital expenditures for our development and production assets for the period were related to unproved developed reserves, infrastructure and pumping unit installations on proved developed producing reserves. All proved undeveloped locations are scheduled to be spud within the next five years.

Independent Reserve Engineers

The Company’s reserve estimates are calculated by Ryder Scott as of December 31, 2017 in accordance with SEC guidelines. The reserve estimates are based on, and fairly represent, information, supporting documentation prepared by, or under supervision of, Mr. Stephen E. Gardner. Mr. Gardner is a Licensed Professional Engineer in the States of Colorado (Colorado No. 44720) and Texas (Texas No. 100578) with over 12 years of practical experience in estimation and evaluation of petroleum reserves. Mr. Gardner meets or exceeds the education, training and experience requirements set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We believe that he is proficient in judiciously applying industry standard practices to engineering and geoscience evaluations as well as applying SEC and other industry reserves definitions and guidelines. Mr. Gardner consents to the inclusion in this report of the information and context in which it appears.

Internal Controls Over Reserves Estimation Process

The primary inputs into the reserve estimation process are comprised of technical information, financial data, ownership interests and production data. Our technical team consists of an internal staff of petroleum engineers and

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geoscience professionals who work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to our independent reserve engineers in their reserves estimation process. Throughout each fiscal year, our technical team meets with representatives of our independent reserve engineers to review properties and discuss methods and assumptions used in preparation of the proved reserves estimates. Current revenue and expense information is obtained from our accounting records, which are subject to our internal controls over financial reporting. Internal controls over financial reporting are assessed for effectiveness annually by management using the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. All current financial data such as lease operating expenses, production taxes and field commodity price differentials are updated in the reserve database and then reviewed and analyzed to ensure that they have been entered accurately and that all updates are complete. Our current ownership in mineral interests and well production data are also verified to ensure their accuracy and completeness.

The Board of Directors has also established the Reserves Committee to assist with monitoring (i) the integrity of our oil, natural gas, and natural gas liquids reserves, (ii) the independence, qualifications and performance of our independent reservoir engineers, and (iii) our compliance with legal and regulatory requirements. Prior to release of the reserve report prepared by our independent reserve engineers, the draft of the report is reviewed by the Reserves Committee, our internal petroleum engineers and by management.

Ms. Trina Medina, Vice President of Reservoir Engineering, is responsible for oversight of the internal reservoir engineering department and preparation of the reserve estimates. Ms. Medina's biography and qualifications can be found on page 68.

Acreage

We had the following developed, undeveloped and total acres as of December 31, 2017:

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Eagle Ford (1)	25,534	19,641	29,041	25,609	54,575	45,250

(1) Includes 1,566 net acres located in Texas, targeting non-Eagle Ford formations.

Production and Pricing

	Year ended December 31,		
	2017	2016	2015
Net Sales Volumes:			
Oil (MBbls)	1,799.8	1,412.5	1,829
Natural gas (MMcf)	3,621.3	2,940.7	2,580.7
NGL (MBbls)	323.7	331.6	393.2
Oil equivalent (MBoe)	2,727.0	2,234.2	2,652.3
Average daily volumes (Boe/d)	7,471	6,104	7,267
Average Sales Price, before derivative settlements:			
Oil (per Bbl)	\$ 49.53	\$ 40.56	\$ 45.35
Natural gas (per Mcf)	2.41	1.68	1.83
NGL (per MBbls)	20.14	13.20	11.50
Average equivalent price (per Boe)	38.28	29.81	34.76
Expenses (per Boe):			
Lease operating expenses	\$ 8.22	\$ 5.79	\$ 6.96
Production tax expense	2.43	1.88	2.28
Lease operating and production tax expenses	10.65	7.67	9.24
General and administrative expense, including employee benefits	6.73	5.42	6.48
Depreciation and amortization expense	21.40	21.55	35.66

The following tables set forth information regarding our total production and average daily production for the periods indicated from our operating areas:

	Year ended December 31, 2017					Year ended December 31, 2016				
	Oil (MBbls)	Natural Gas (MMcf)	NGL (MBbls)	Oil Equivalent (MBoe)	Average Daily Volume (Boe/d)	Oil (MBbls)	Natural Gas (MMcf)	NGL (MBbls)	Oil Equivalent (MBoe)	Average Daily Volume (Boe/d)
Eagle Ford	1,778	3,427	299	2,648	7,257	1,329	2,344	252	1,972	5,388
Mississippian/ Woodford (1)	22	194	24	78	214	83	597	80	262	716
Total	1,800	3,621	323	2,727	7,471	1,412	2,941	332	2,234	6,104

	Year ended December 31, 2015				
	Oil (MBbls)	Natural Gas (MMcf)	NGL (MBbls)	Oil Equivalent (MBoe)	Average Daily Volume (Boe/d)
Eagle Ford	1,673	1,795	278	2,251	6,167
Mississippian/ Woodford(1)	155	786	115	401	1,100
Total	1,828	2,581	393	2,652	7,267

- (1) In May 2017, we divested our interests in our Mississippian/Woodford. See Item 4.A. “Information on Sundance — History and Development — Divestitures.”

Producing Wells

We had the following producing wells as of December 31, 2017:

	Oil Wells		Natural Gas Wells		Total Wells	
	Gross	Net	Gross	Net	Gross	Net
Eagle Ford	127.0	100.5	—	—	127.0	100.5

Drilling Activity

The following table summarizes our drilling activity for the fiscal years ended December 31, 2017, 2016 and 2015.

	Year ended December 31,					
	2017		2016		2015	
	Gross	Net	Gross	Net	Gross	Net
Development wells						
Oil	14	13.8	19	11.5	11	10.0
Natural Gas	—	—	—	—	—	—
Dry	—	—	—	—	—	—
Exploratory Wells						
Oil	—	—	—	—	—	—
Natural Gas	—	—	—	—	—	—
Dry	—	—	—	—	2	2.0
Total Wells						
Oil	14	13.8	19	11.5	11	10.0
Natural Gas	—	—	—	—	—	—
Dry	—	—	—	—	2	2.0
	14	13.8	19	11.5	13	12.0

There were no wells being drilled or awaiting completion or production testing as of December 31, 2017.

Principal Customers and Marketing

For the year ended December 31, 2017, purchases by two customers accounted for over 10% of our total sales revenues: 1) Vitol, Inc. (“Vitol”) (50%), our Eagle Ford oil purchaser from July 1 through December 31, 2017 and 2) Trafigura Group PTE. LTD (34%), our oil purchaser from January 1 through June 30, 2017. Vitol purchases the oil production from us pursuant to a marketing agreement in place through June 30, 2018. Vitol makes estimated payments to us during the production month, which partially mitigates our exposure to credit risk. In addition, Vitol advanced revenue to us under a production loan during 2017. The balance outstanding on the loan was \$18.2 million as of December 31, 2017, and the loan was repaid in full out of proceeds from our refinancing and equity raise in April 2018.

The oil and natural gas that we sell are commodities for which there are a large number of potential buyers. Because of the adequacy of the infrastructure to transport oil and natural gas in the areas in which we operate, if we were to lose one or more customers, we believe that we could readily procure substitute or additional customers such that our production volumes would not be materially affected for any significant period of time.

The prices we receive for our oil and natural gas production fluctuate widely. Factors that cause price fluctuations include the level of demand for oil and natural gas, the price and quantity of imports of foreign oil and natural gas, the level of global oil and natural gas exploration and production, global oil and gas inventories, weather conditions and natural disasters, governmental regulations, oil and natural gas speculation, actions of OPEC, technological advances and the price and availability of alternative fuels. Decreases in these commodity prices adversely affect the carrying value of our proved reserves and our revenues, profitability and cash flows. Short-term disruptions of our oil and natural gas production occur from time to time due to downstream pipeline system failure, capacity issues and scheduled maintenance, as well as maintenance and repairs involving our own well operations. These situations, if they occur, curtail our production capabilities and ability to maintain a steady source of revenue. In addition, demand for natural gas has historically been seasonal in nature, with peak demand and typically higher prices during the colder winter months. See Item 3.D. “Key Information—Risk Factors.”

Delivery Commitments

Subsequent to December 31, 2017, we executed Midstream Partner contracts associated with the newly acquired Eagle Ford assets, which contain commitments to deliver oil, natural gas and NGL volumes to meet minimum revenue commitments ("MRC") to the Midstream Partner each year. The following table summarizes the MRC by year and the minimum number of new wells we estimate we will need to drill each year to satisfy the MRC:

	2018	2019	2020	2021	2022	Total
Minimum revenue commitment (\$ millions)	11.1	15.8	21.8	21.8	11.2	81.7
Estimated minimum wells to meet MRC	16	11	12	20	6	65

Under the terms of the contract, if we fail to deliver the volumes to satisfy the MRC, we are required to pay a deficiency payment equal to the shortfall. If the volumes and associated fees are in excess of the MRC in any year, the overage can be applied to reduce the commitment in the subsequent year. We estimate that the current production from the acquired proved developed reserves will satisfy approximately \$26 million of the total MRC. We believe that this, coupled with our planned development for 2018 and 2019 will be sufficient to cover 100% of the MRC.

Competition

The oil and natural gas industry is highly competitive, and we compete with a substantial number of other companies that have greater resources. Many of these companies explore for, produce and market oil and natural gas, carry on refining operations and market the resultant products on a worldwide basis. The primary areas in which we encounter substantial competition are in locating and acquiring desirable leasehold acreage for our drilling and development operations, locating and acquiring attractive producing oil and natural gas properties and obtaining drilling rigs, completion crews and other services. There is also competition between producers of oil and natural gas and other industries producing alternative energy and fuel. Furthermore, competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the government of the United States. However, it is not possible to predict the nature of any such legislation or regulation that may ultimately be adopted or its effects upon our future operations. Such laws and regulations may substantially increase the costs of exploring for, developing or producing gas and oil and may prevent or delay the commencement or continuation of a given operation. The effect of these risks cannot be accurately predicted.

Regulation of the Oil and Natural Gas Industry

Our operations are substantially affected by federal, state and local laws and regulations. In particular, oil and natural gas production and related operations are, or have been, subject to price controls, taxes and numerous other laws and regulations. All of the jurisdictions in which we own or operate producing oil and natural gas properties have statutory provisions regulating the exploration for and production of oil and natural gas, including provisions related to permits for the drilling of wells, bonding requirements to drill or operate wells, the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled, sourcing, storing, treating, transporting and disposing of water and other materials used in the drilling and completion process, the disposal of waste generated through the drilling, operating and development of wells and the abandonment of wells. Our operations are also subject to various conservation laws and regulations. These include regulation of the size of drilling and spacing units or proration units, the number of wells that may be drilled in an area, and the unitization or pooling of oil and natural gas wells, as well as regulations that generally prohibit the venting or flaring of natural gas and that impose certain requirements regarding the ratable or fair apportionment of production from fields and individual wells.

The regulatory burden on the industry increases the cost of doing business and affects profitability. Failure to comply with applicable laws and regulations can result in substantial penalties. Furthermore, such laws and regulations are frequently amended or reinterpreted, and new proposals that affect the oil and natural gas industry are regularly considered by Congress, the states, the Federal Energy Regulatory Commission ("FERC") and the courts. We believe that we are in substantial compliance with all applicable laws and regulations and that our continued substantial compliance with existing requirements will not have a material adverse effect on our financial position, cash flows or results of operations. Nor are we currently aware of any specific pending legislation or regulation that is reasonably

likely to be enacted, or for which we cannot predict the likelihood of enactment, and that is reasonably likely to have a material effect on our financial position, cash flows or results of operations.

Regulation of Transportation of Oil

Our sales of oil are affected by the availability, terms and cost of transportation. Interstate transportation of oil by pipeline is regulated by FERC pursuant to the Interstate Commerce Act of 1887 (“ICA”), the Energy Policy Act of 1992 (“EPAAct 1992”), and the rules and regulations promulgated under those laws. The ICA and its implementing regulations require that tariff rates for interstate service on oil pipelines, including interstate pipelines that transport oil and refined products (collectively referred to as “petroleum pipelines”), be just and reasonable and non-discriminatory and that such rates and terms and conditions of service be filed with FERC. EPAAct 1992 deemed certain interstate petroleum pipeline rates then in effect to be just and reasonable under the ICA, which are commonly referred to as “grandfathered rates.” Pursuant to EPAAct 1992, FERC also adopted a generally applicable rate-making methodology, which, as currently in effect, allows petroleum pipelines to change their rates provided they do not exceed prescribed ceiling levels that are tied to changes in the Producer Price Index for Finished Goods (“PPI”), plus 1.3%. For the five-year period beginning July 1, 2011, the index will be PPI plus 2.65%.

FERC has also established cost-of-service rate-making, market-based rates and settlement rates as alternatives to the indexing approach. A pipeline may file rates based on its cost of service if there is a substantial divergence between its actual costs of providing service and the rate resulting from application of the index. A pipeline may charge market-based rates if it establishes that it lacks significant market power in the affected markets. Further, a pipeline may establish rates through settlement with all current non-affiliated shippers.

Intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates vary from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any way that is of material difference from those of our competitors that are similarly situated.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all similarly situated shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is governed by prorating provisions set forth in the pipelines’ published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our similarly situated competitors.

Regulation of Transportation and Sales of Natural Gas

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the FERC under the Natural Gas Act of 1938 (“NGA”), the Natural Gas Policy Act of 1978 (“NGPA”) and regulations issued under those statutes. In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future.

Onshore gathering services, which occur upstream of FERC jurisdictional transmission services, are regulated by the states. Although the FERC has set forth a general test for determining whether facilities perform a non-jurisdictional gathering function or a jurisdictional transmission function, the FERC’s determinations as to the classification of facilities is done on a case-by-case basis. State regulation of natural gas gathering facilities generally includes various safety, environmental and, in some circumstances, nondiscriminatory take requirements. Although such regulation has not generally been affirmatively applied by state agencies, natural gas gathering may receive greater regulatory scrutiny in the future.

Intrastate natural gas transportation is also subject to regulation by state regulatory agencies. The basis for intrastate regulation of natural gas transportation and the degree of regulatory oversight and scrutiny given to intrastate natural gas pipeline rates and services varies from state to state. Insofar as such regulation within a particular state will

generally affect all intrastate natural gas shippers within the state on a comparable basis, we believe that the regulation of similarly situated intrastate natural gas transportation in any states in which we operate and ship natural gas on an intrastate basis will not affect our operations in any way that is of material difference from those of our competitors. Like the regulation of interstate transportation rates, the regulation of intrastate transportation rates affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas.

Regulation of Production

The production of oil and natural gas is subject to regulation under a wide range of local, state and federal statutes, rules, orders and regulations. Federal, state and local statutes and regulations require permits for drilling operations, drilling bonds and reports concerning operations. All of the states in which we own and operate properties have regulations governing conservation matters, including provisions for the unitization or pooling of oil and natural gas properties, the establishment of maximum allowable rates of production from oil and natural gas wells, the regulation of well spacing, and plugging and abandonment of wells. The effect of these regulations is to limit the amount of oil and natural gas that we can produce from our wells and to limit the number of wells or the locations at which we can drill, although we can apply for exceptions to such regulations or to have reductions in well spacing. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction.

We own interests in properties located onshore in Texas. The State of Texas regulates drilling and operating activities by requiring, among other things, permits for the drilling of wells, maintaining bonding requirements in order to drill or operate wells, and regulating the location of wells, the method of drilling and casing wells, the surface use and restoration of properties upon which wells are drilled and the plugging and abandonment of wells. States also govern a number of environmental and conservation matters, including the handling and disposing or discharge of waste materials, the size of drilling and spacing units or proration units and the density of wells that may be drilled, unitization and pooling of oil and gas properties and establishment of maximum rates of production from oil and gas wells. Some states have the power to prorate production to the market demand for oil and gas.

The failure to comply with these rules and regulations can result in substantial penalties. Our competitors in the oil and natural gas industry are subject to the same regulatory requirements and restrictions that affect our operations.

Environmental, Health and Safety Regulation

Our exploration, development, production and processing operations are subject to various federal, state and local laws and regulations relating to health and safety, the discharge of materials and environmental protection. These laws and regulations may, among other things: require the acquisition of permits to conduct exploration, drilling and production operations; govern the amounts and types of substances that may be released into the environment in connection with oil and natural gas drilling and production; restrict the way we handle or dispose of our wastes; limit or prohibit construction or drilling activities in sensitive areas, such as wetlands, wilderness areas, or areas inhabited by endangered or threatened species; require investigatory and remedial actions to mitigate pollution conditions caused by our operations or attributable to former operations; and impose obligations to reclaim and abandon well sites and pits. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas.

These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. The regulatory burden on the oil and gas industry increases the cost of doing business in the industry and consequently affects profitability. In addition, Congress and federal and state agencies frequently revise environmental, health and safety laws and regulations, and any changes that result in more stringent and costly emissions control, waste handling, disposal, cleanup and remediation requirements for the oil and gas industry could have a significant impact on our operating costs.

The clear trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus, any changes in environmental laws and regulations or re-interpretations of enforcement

policies that result in more stringent and costly waste handling, storage, transport, disposal, or remediation requirements could have a material adverse effect on our operations and financial position in the future. We may be unable to pass on such increased compliance costs to our customers. Moreover, accidental releases or spills may occur in the course of our operations, and we cannot assure you that we will not incur significant costs and liabilities as a result of such releases or spills, including any third party claims for damage to property, natural resources or persons. We maintain insurance against costs of cleanup operations, but we are not fully insured against all such risks. While we believe that we are in substantial compliance with existing environmental laws and regulations and that current requirements would not have a material adverse effect on our financial condition or results of operations, there is no assurance that this will continue in the future.

The following is a summary of the more significant existing environmental, health and safety laws and regulations to which our business operations are subject and for which compliance in the future may have a material adverse effect on our capital expenditures, results of operations or financial position.

Hazardous Substances and Waste

The Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), also known as the Superfund law, and comparable state laws impose liability without regard to fault or the legality of the original conduct on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. CERCLA exempts “petroleum, including oil or any fraction thereof” from the definition of “hazardous substance” unless specifically listed or designated under CERCLA. While the EPA interprets CERCLA to exclude oil and fractions of oil, hazardous substances that are added to petroleum or that increase in concentration as a result of contamination of the petroleum during use are not considered part of the petroleum and are regulated under CERCLA as a hazardous substance.

Responsible persons under CERCLA include current and prior owners or operators of the site where the release occurred and entities that disposed or arranged for the disposal of the hazardous substances found at the site. Under CERCLA, these “responsible persons” may be subject to strict, joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment. We generate materials in the course of our operations that may be regulated as hazardous substances.

We also generate solid and hazardous wastes that are subject to the requirements of the Resource Conservation and Recovery Act, as amended (“RCRA”), and comparable state statutes. RCRA imposes requirements on the generation, storage, treatment, transportation and disposal of hazardous wastes. In the course of our operations we generate petroleum hydrocarbon wastes and ordinary industrial wastes that may be regulated as hazardous wastes. RCRA regulations specifically exclude from the definition of hazardous waste “drilling fluids, produced waters and other wastes associated with the exploration, development or production of oil, natural gas or geothermal energy.” However, legislation has been proposed in Congress from time to time that would reclassify certain natural gas and oil exploration and production wastes as “hazardous wastes,” which would make the reclassified wastes subject to much more stringent handling, disposal and cleanup requirements. No such effort has been successful to date.

We currently own or lease, and have in the past owned or leased, properties that have been used for numerous years to explore and produce oil and natural gas. Although we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons and wastes may have been disposed of or released on or under the properties owned or leased by us or on or under the other locations where these hydrocarbons and wastes have been taken for treatment or disposal. In addition, certain of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons and wastes was not under our control. These properties and wastes disposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under these laws, we could be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or

operators), to clean up contaminated property (including groundwater contaminated by prior owners or operators) and to perform remedial operations to prevent future contamination.

Pipeline Safety and Maintenance

Pipelines, gathering systems and terminal operations are subject to increasingly strict safety laws and regulations. Both the transportation and storage of refined products and oil involve a risk that hazardous liquids may be released into the environment, potentially causing harm to the public or the environment. In turn, such incidents may result in substantial expenditures for response actions, significant government penalties, liability to government agencies for natural resources damages and significant business interruption. The U.S. Department of Transportation (“DOT”) has adopted safety regulations with respect to the design, construction, operation, maintenance, inspection and management of our pipeline and storage facilities. These regulations contain requirements for the development and implementation of pipeline integrity management programs, which include the inspection and testing of pipelines and the correction of anomalies. These regulations also require that pipeline operation and maintenance personnel meet certain qualifications and that pipeline operators develop comprehensive spill response plans.

There have been recent initiatives to strengthen and expand pipeline safety regulations and to increase penalties for violations. In 2012, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 was signed into law. This Act provides additional requirements related to spill and accident reporting, as well as more stringent oversight of pipelines and increased penalties for violations of safety rules. Since enactment, DOT has initiated a series of rulemakings to implement the new law. The 2011 reauthorization of DOT’s Pipeline and Hazardous Materials Safety Administration’s (“PHMSA”) pipeline safety program expired in 2015. The Protecting Our Infrastructure of Pipelines and Enhancing Safety (“PIPES”) Act was signed into law on June 22, 2016. The PIPES Act strengthens the DOT’s safety authority and provides authorization for PHMSA to finish the requirements under the 2011 law. DOT has also recently promulgated new regulations extending safety rules to certain low-pressure, small-diameter pipelines in rural areas.

Air Emissions

The Clean Air Act, as amended (“CAA”), and comparable state laws and regulations restrict the emission of air pollutants, including greenhouse gases, from many sources, including oil and natural gas operations, and impose various monitoring and reporting requirements. These laws and regulations may require us to obtain preapproval for the construction or modification of certain projects or facilities expected to produce or significantly increase air emissions, obtain and comply with stringent air permit requirements, report emissions, or utilize specific equipment or technologies to control emissions. CAA rules may require us to undertake certain expenditures and activities, including purchasing and installing emissions control equipment and implementing additional emissions testing and monitoring. These requirements have the potential to delay or increase the cost of the development of oil and natural gas projects.

Climate Change

The United States is a party to the United Nations Framework Convention on Climate Change (“UNFCCC”), an international treaty focused on stabilizing greenhouse gases (“GHGs”) concentrations in the atmosphere at a level that would prevent serious damage to the climate system. In December 2015 the international community agreed upon a new climate change treaty, known as the Paris Agreement. The U.S. committed to a 26-28% reduction in its greenhouse gas emissions by 2025 against a 2005 baseline. This new agreement, which was legally effective in November 2016, incorporates actions taken by individual countries to reduce GHGs on the national level. The United States’ involvement in developing the new agreement creates significant international pressure for the United States to take responsive action to reduce GHGs. President Trump stated in June 2017 that he intends to withdraw the U.S. from the Paris Agreement unless certain terms are met. Under the terms of the Paris Agreement, the earliest the U.S. could withdraw from the treaty is November 2020. The Trump Administration may allow the U.S. to remain in the Paris Agreement, but soften the emission reductions that the U.S. implements to comply with the Paris Agreement. In general, implementation of the Paris Agreement would encourage a shift away from higher greenhouse gas emitting power sources like coal-fired power plants.

In the absence of comprehensive climate change legislation, regulatory action to regulate GHGs under the federal Clean Air Act occurred under the Obama administration. The Trump administration is in the process of narrowing, revising or attempting to repeal nearly all of the Obama-era climate regulations. Thus, no new federal climate regulations are likely in the near term in the U.S. and the focus will be on the state level with certain states like California taking significant actions to reduce GHGs.

The EPA requires the reporting of GHGs from specified large GHG emission sources, including GHGs from petroleum and natural gas systems that emit more than 25,000 tons of GHGs per year. Reporting is required from onshore and offshore petroleum and natural gas production, natural gas processing, transmission and distribution, underground natural gas storage and liquefied natural gas import, export and storage.

On August 3, 2015, the EPA released the final Clean Power Plan, which is a regulation designed to reduce carbon pollution from existing fossil fuel-fired power plants, including natural gas power plants. Upon finalization of the Clean Power Plan, over twenty states and industry groups challenged the rule in the D.C. Circuit court and requested a stay of the rule. The D.C. Circuit denied the stay request, but, on appeal, the U.S. Supreme Court granted the stay. Oral arguments were heard in the D.C. Circuit in September 2016. The Supreme Court stay was granted until the D.C. Circuit's review of the rule is complete. While the lawsuit is pending, the Trump Administration is taking administrative action to narrow the Clean Power Plan to result in only minimal reductions in GHGs.

On May 12, 2016, the EPA issued a suite of proposed regulations that would reduce methane emissions from the oil and gas industry, including proposed updates to the NSPS for new and modified sources in the oil and gas industry, a clarification of the source determination rule as applied to the oil and natural gas industry and a proposed Federal Implementation Plan for new oil and gas sources in Indian Country. These regulations could affect us indirectly by affecting our customer base or by directly regulating our operations. In either case, increased costs of operation and exposure to liability could result. The Trump Administration is currently reviewing the methane regulations and attempting to revise, repeal or narrow the rules.

On March 28, 2017, President Trump signed an executive order to rescind President Obama's climate-related executive orders and climate action plans and direct the EPA to review and revise the Clean Power Plan, the standards for new power plants and other climate regulations. The executive order sets in motion a process that will take several years to fully enact. Because the Clean Power Plan and other climate regulations are final regulations, the EPA will have to go through a public and comment rulemaking process to modify or revoke them and such actions will be litigated by environmental groups and states supportive of the regulations. Even if the carbon regulations are ultimately revoked or weakened under the Trump Administration, the imposition of carbon regulations affecting existing power plants, especially coal-fired power plants, is likely in the midterm.

The EPA's GHG rules are being reviewed pursuant to President Trump's executive order and many are being challenged in court proceedings. Depending on the outcome of such proceedings, the rules may be modified or rescinded or the EPA could develop new rules. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of GHGs from, our equipment and operations could require us to incur costs to reduce emissions of GHGs associated with our operations or could adversely affect demand for the oil and natural gas we produce.

While new legislation requiring GHG controls is not expected at the national level in the near term, almost one-half of the states have taken actions to monitor and/or reduce emissions of GHGs, including obligations on utilities to purchase renewable energy and GHG cap and trade programs. Although most of the state level initiatives have to date focused on large sources of GHG emissions, such as coal-fired electric plants, it is possible that smaller sources of emissions could become subject to GHG emission limitations or allowance purchase requirements in the future.

Climate change regulatory and legislative initiatives could have a material adverse effect on our business, financial condition and results of operations. Legislation or regulations that may be adopted to address climate change could also affect the markets for our products by making our products more or less desirable than competing sources of energy. To the extent that our products are competing with higher GHG emitting energy sources, such as coal, our

products would become more desirable in the market with more stringent limitations on GHG emissions. To the extent that our products are competing with lower GHG emitting energy sources, such as solar and wind, our products would become less desirable in the market with more stringent limitations on GHG emissions. We cannot predict with any certainty at this time how these possibilities may affect our operations.

Finally, increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such effects were to occur, they could adversely affect or delay demand for the oil or natural gas we produce or otherwise cause us to incur significant costs in preparing for or responding to those effects.

Water Discharges

The Federal Water Pollution Control Act, as amended, or the Clean Water Act ("CWA"), and analogous state laws impose restrictions and controls regarding the discharge of pollutants into waters of the United States. Pursuant to the CWA and analogous state laws, permits must be obtained to discharge pollutants into state waters or waters of the United States. Any such discharge of pollutants into regulated waters must be performed in accordance with the terms of the permits issued by the EPA or analogous state agencies. The CWA and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by an appropriately issued permit. Spill prevention, control and countermeasure requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of stormwater runoff from certain types of facilities. Currently, storm water discharges from oil and natural gas exploration, production, processing or treatment operations, or transmission facilities are exempt from regulation under the CWA. Federal and state regulatory agencies can impose administrative, civil and criminal penalties, as well as other enforcement mechanisms for noncompliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

Endangered Species Act

The federal Endangered Species Act, as amended ("ESA"), restricts activities that may affect endangered and threatened species or their habitats. While some of our facilities may be located in areas that are designated as habitats for endangered or threatened species, we believe that we are in substantial compliance with the ESA. However, the designation of previously unidentified endangered or threatened species could cause us to incur additional costs or become subject to operating restrictions or bans in the affected areas.

Employee Health and Safety

We are subject to a number of federal and state laws and regulations, including the federal Occupational Safety and Health Act, as amended (the "OSH Act"), and comparable state statutes, whose purpose is to protect the health and safety of workers. In addition, the OSH Act's hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act, and comparable state statutes require that information be maintained concerning hazardous materials used, produced or released in our operations and that this information be provided to employees, state and local government authorities and citizens. In March 2016, OSHA issued a final rule related to worker exposure to respirable dust from silica sand, a common additive to hydraulic fracturing fluids. The key provisions of the rule require the following: (i) reduces the permissible exposure limit (PEL) for respirable crystalline silica to 50 micrograms per cubic meter of air, averaged over an 8-hour shift; (ii) requires employers to: use engineering controls (such as water or ventilation) to limit worker exposure to the PEL; provide respirators when engineering controls cannot adequately limit exposure; limit worker access to high exposure areas; develop a written exposure control plan, offer medical exams to highly exposed workers, and train workers on silica risks and how to limit exposures; (iii) provides medical exams to monitor highly exposed workers and gives them information about their lung health; and (iv) provides flexibility to help employers protect workers from silica exposure. The compliance schedule for hydraulic fracturing is June 23, 2018 (i.e., two years after the effective date) for all provisions except engineering controls, which have a compliance date of June 23, 2021. Aspects of the rule are being litigated by affected industry. The Trump Administration has signaled an intent to delay enforcement of the

rule. Workers at drill sites may be exposed to excessive levels of respirable silica sand, which can cause lung disease and cancer. Increasing concerns about worker safety at drill sites may lead to increased regulation and enforcement or related tort claims by our employees. Implementation of engineering and workplace controls to comply with the rule may require significant investment.

Hydraulic Fracturing

The SDWA and comparable state statutes may restrict the disposal, treatment or release of water produced or used during oil and natural gas development. Subsurface emplacement of fluids (including disposal wells) is governed by federal or state regulatory authorities that, in some cases, include the state oil and gas regulatory authority or the state's environmental authority. We utilize hydraulic fracturing in our operations as a means of maximizing the productivity of our wells and operate saltwater disposal wells to dispose of produced water. The federal Energy Policy Act of 2005 amended the Underground Injection Control ("UIC") provisions of the SDWA to expressly exclude hydraulic fracturing without diesel additives from the definition of "underground injection." However, the U.S. Senate and House of Representatives have considered several bills in recent years to end this exemption, as well as other exemptions for oil and gas activities under U.S. environmental laws. The Fracturing Responsibility and Awareness of Chemicals Act ("FRAC Act"), first introduced in 2011, would amend the SDWA to repeal the exemption from regulation under the UIC program for hydraulic fracturing. This bill has been reintroduced in each congressional session since it was initially proposed but has not yet garnered enough support to be put to a vote. If enacted, the FRAC Act would amend the definition of "underground injection" in the SDWA to encompass hydraulic fracturing activities. Such a provision could require hydraulic fracturing operations to meet permitting and financial assurance requirements, to adhere to certain construction specifications, to fulfill monitoring, reporting and recordkeeping obligations, and to meet plugging and abandonment requirements. The FRAC Act also proposes to require the reporting and public disclosure of chemicals used in the fracturing process. Note that each of the above components of the FRAC Act have become increasingly common in state laws since the FRAC Act was first introduced. Other recent bills in the U.S. House of Representatives would end certain exemptions for oil and natural gas operations related to permitting requirements for multiple commonly owned and adjacent sources of hazardous air pollutants under the CAA and permitting requirements for stormwater discharges under the CWA. If the exemptions for hydraulic fracturing are removed from U.S. environmental laws, or if the FRAC Act or other legislation is enacted at the federal, state or local level, any restrictions on the use of hydraulic fracturing contained in any such legislation could have a significant impact on our financial condition and results of operations.

Federal agencies have also begun to directly regulate hydraulic fracturing. The EPA has recently asserted federal regulatory authority over, and issued permitting guidance for, hydraulic fracturing involving diesel additives under the SDWA's UIC Program. As a result, service providers or companies that use diesel products in the hydraulic fracturing process are expected to be subject to additional permitting requirements or enforcement actions under the SDWA. On June 28, 2016, the EPA promulgated pretreatment standards for oil and gas extraction category that prohibit the discharge of wastewater pollutants from onshore unconventional oil and gas extraction facilities to publicly owned treatment works. The EPA is also conducting a study of private wastewater treatment facilities accepting oil and gas extraction wastewater. The EPA is collecting data and information related to the extent to which such wastewater is accepted, available treatment technologies, discharge characteristics and other information. The use of surface impoundments (i.e., pits or surface storage tanks) for the temporary storage of hydraulic fracturing fluids for re-use or prior to disposal may also be regulated. The EPA is also collecting information as part of a multi-year study into the effects of hydraulic fracturing on drinking water. The U.S. Department of the Interior has likewise developed comprehensive regulations for hydraulic fracturing on federal land although the federal government's authority to regulate fracking on public and tribal lands is the subject of ongoing litigation. These regulatory developments have the potential to create additional permitting, technology, recordkeeping and site study requirements, among others, for our business. However, under the Trump Administration, we would expect no new significant requirements on hydraulic fracking.

Several state governments in the areas where we operate have adopted or are considering adopting additional requirements relating to hydraulic fracturing that could restrict its use in certain circumstances or make it more costly to utilize. Such measures may address any risk to drinking water, the potential for hydrocarbon migration and disclosure of the chemicals used in fracturing. For example, several states, including Colorado, have implemented rules requiring hydraulic fracturing operators to sample ground-and surface waters near proposed well sites before operations can begin, and to sample the same sites again after fracturing operations are complete. A majority of states around the country, including both Colorado and Texas, have also adopted some form of fracturing fluid disclosure law to compel disclosure

of fracturing fluid ingredients and additives that are not subject to trade secret protection. Other states, such as Ohio and Texas, have begun to study potential seismic risks related to underground injection of fracturing fluids. Any enforcement actions or requirements of additional studies or investigations by governmental authorities where we operate could increase our operating costs and cause delays or interruptions of our operations.

At this time, it is not possible to estimate the potential impact on our business of these state and local actions or the enactment of additional federal or state legislation or regulations affecting hydraulic fracturing.

Other Laws

The Oil Pollution Act of 1990, as amended (“OPA”), establishes strict liability for owners and operators of facilities that are the site of a release of oil into waters of the United States. The OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills. A “responsible party” under the OPA includes owners and operators of certain onshore facilities from which a release may affect waters of the United States. The OPA assigns liability to each responsible party for oil cleanup costs and a variety of public and private damages. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply. Few defenses exist to the liability imposed by the OPA. The OPA imposes ongoing requirements on a responsible party, including the preparation of oil spill response plans and proof of financial responsibility to cover environmental cleanup and restoration costs that could be incurred in connection with an oil spill.

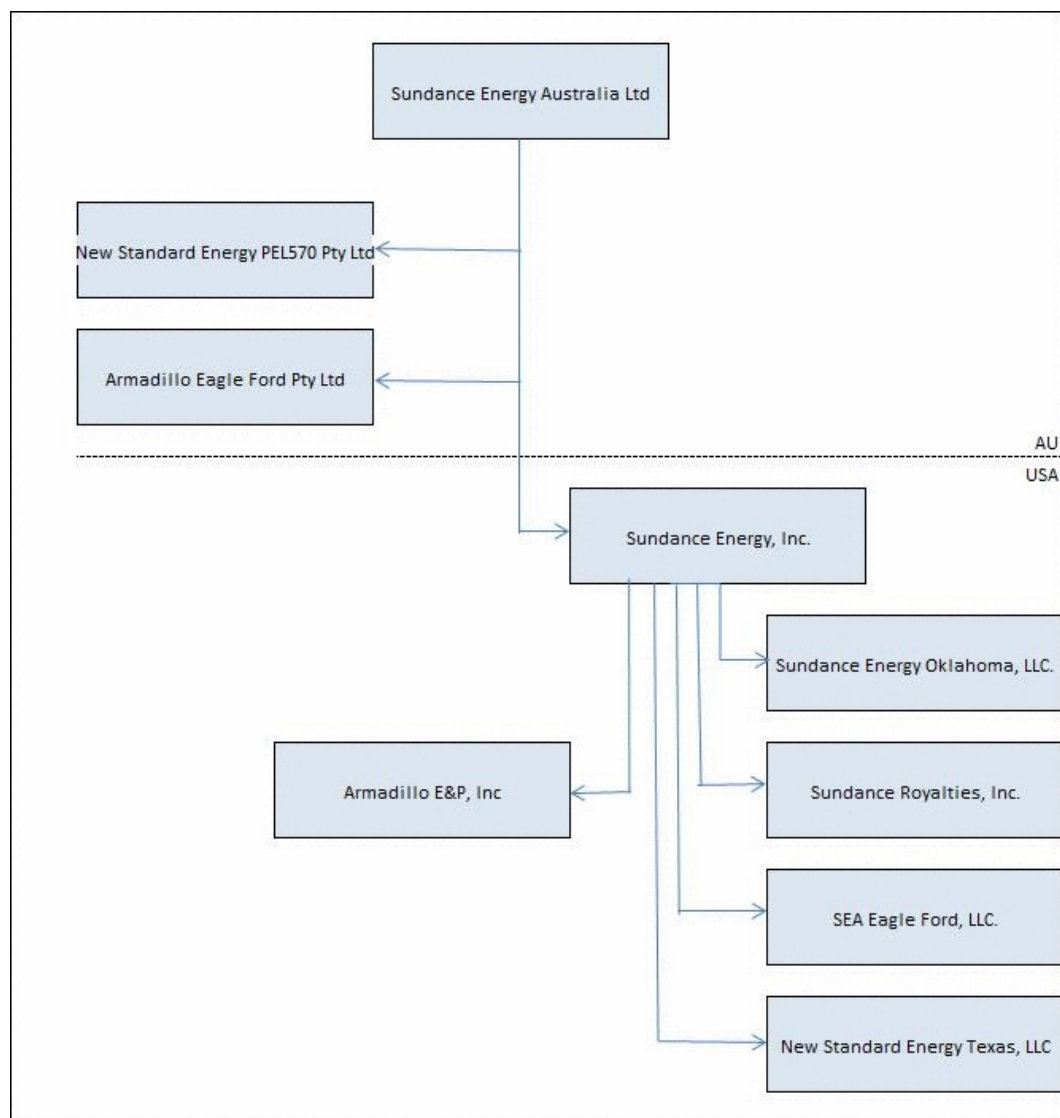
The National Environmental Policy Act of 1969, as amended (“NEPA”), requires federal agencies to evaluate major agency actions having the potential to significantly impact the environment before their commencement. Generally, federal agencies must prepare either an environmental assessment or an environmental impact statement, depending on whether the specific circumstances surrounding the proposed federal action will have a significant impact on the environment. The NEPA process involves significant public input through comments on alternatives to the proposed project or resource-specific mitigation options for the project. NEPA decisions can be and often are appealed through the administrative and federal court systems by process participants. Environmental groups in the United States have increasingly focused on the required public consultation process under NEPA as a forum for voicing concerns over continued development of fossil fuel energy sources in the United States and for seeking expansive environmental reviews of projects that relate to the production, transportation, or combustion of these fuels, including evaluating the impacts of projects on climate change. Although we believe that our actions do not typically trigger NEPA analysis, should we ever be subject to NEPA, the process could result in delaying the permitting and development of projects, increase the costs of permitting and developing some facilities and result in certain instances in litigation and/or the cancellation of certain leases.

Insurance Matters

As is common in the oil and gas industry, we do not insure fully against all risks associated with our business, either because such insurance is not available or because premium costs are considered prohibitive. A loss not fully covered by insurance could have a materially adverse effect on our financial position, results of operations or cash flows.

C. Organizational Structure

The following is the organizational structure of Sundance Energy Australia Limited:



In January 2018, we reorganized our corporate structure, which included deregistering Armadillo Petroleum Ltd and merging Armadillo Eagle Ford Holdings, Inc. into Armadillo E&P, Inc. These changes are reflected in the organization chart above. Substantially all of our oil and natural gas operations are conducted by our subsidiaries Sundance Energy, Inc., Armadillo E&P, Inc., SEA Eagle Ford, LLC and New Standard Energy Texas, LLC with the exception of a 17.5% non-operated working interest in Petroleum Exploration License 570 in Australia which we

acquired in 2015. The majority of our corporate general and administrative expenditures are incurred within Sundance Energy, Inc.

D. Property, Plant and Equipment

Our Properties

Eagle Ford

As of December 31, 2017, our Eagle Ford properties consisted of approximately 54,575 gross (45,250 net) acres that are primarily located in McMullen, Dimmit and Atascosa County, Texas, primarily in the volatile oil window of the Eagle Ford trend. In April 2018, we acquired an additional 21,900 net acres in the Eagle Ford oil, volatile oil, and condensate windows in McMullen, Live Oak, Atascosa and La Salle counties. See Item 8. “Financial Information – Significant Changes” for additional information.

For the year ended December 31, 2017, we had average net daily production of approximately 7,257 Boe/d from our properties. During 2017, we invested \$115.1 million in development and production related activities, completing a total of 14 gross (13.8 net) Eagle Ford wells and infrastructure projects. Our 2018 capital program is expected to be funded through cash flow from operations, proceeds of the equity raise and debt refinance completed in April 2018 and through borrowings on our New Revolving Facility (see Item 5.B. Operating and Financial Review and Prospects—Liquidity and Capital Resources—*Credit Facilities*.).

Mississippian/Woodford

In May 2017, we sold our interests in the Mississippian/Woodford formation in Oklahoma. For the year ended December 31, 2017, the Oklahoma assets contributed 78,199 Boe (214 Boe/d). There were no material capital expenditures incurred in 2017 prior to completion of the sale.

Title to Properties

Our properties are subject to what we believe to be customary royalty interests, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions. We believe that we have generally satisfactory title to or rights in all of our producing properties. As is customary in the oil and gas industry, we conduct what we believe to be sufficient investigation of title at the time we acquire undeveloped properties and generally make title investigations and receive title opinions of local counsel before we commence drilling operations. We believe that we have satisfactory title to all of our other assets. Although title to our properties is subject to encumbrances in certain cases, we believe that none of these burdens will materially detract from the value of our properties or from our interest therein or will materially interfere with the operation of our business.

Facilities

We lease approximately 27,600 square feet of office space at 633 17th Street, Denver, Colorado, where our principal offices are located. We do not have any material field office facilities.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

You should read the following discussion and analysis in conjunction with Item 3.A. “Key Information—Selected Financial Data” and our consolidated financial statements and the notes to those consolidated financial statements appearing elsewhere in this annual report.

In addition to historical information, the following discussion contains forward-looking statements that reflect our plans, estimates, intentions, expectations and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See Item 3.D. “Key Information—Risk Factors” for a discussion of factors that could cause or contribute to such differences.

Overview

We are an onshore oil and natural gas company focused on the exploration, development and production of large, repeatable resource plays in North America. During 2017, we shifted our operational focus to be a pure-play Eagle Ford operator.

We intend to utilize our U.S.-based management and technical team to appraise, develop, produce and grow our portfolio of assets. Our strategy is to develop assets where we are the operator and have high working interests, which positions us to control the pace of our development and the allocation of our capital resources. As of December 31, 2017, we operated 91% of our net producing wells and our average working interest in our operated wells we operate was approximately 92%.

Following the Acquisition during 2018, we have accumulated nearly 36,000 net acres in the Eagle Ford over the past three years. The most recent acquisition has positioned the Company to complete more effectively in this market by offering economies of scale and positioning the Company to compete for further acquisition opportunities in this area. See Item 4.A. “Information on Sundance — History and Development—*Acquisitions*” and “—*Divestitures*.”

Ryder Scott estimated our proved reserves to be approximately 47.1 MMBoe as of December 31, 2017, of which approximately 59% are oil, approximately 21% are natural gas and approximately 20% NGLs, with a PV-10 of approximately \$381.2 million.

How We Conduct Our Business and Evaluate Our Operations

We employ our capital resources for exploration, acquisitions and development in what we believe to be the most attractive opportunities available to us as market conditions evolve. We have historically acquired properties that we believe have significant appreciation potential through exploration, development, production optimization or cost reduction. We intend to continue to focus our efforts on the acquisition of operated properties to the extent we believe they meet our return objectives.

We use a variety of financial and operational metrics to assess the performance of our oil and natural gas operations, including:

- production volumes;
- realized prices on the sale of oil and natural gas, including the effect of our commodity derivative contracts;
- lease operating and production expenses;
- general and administrative expenses; and
- Adjusted EBITDAX.

Production Volumes

Production volumes directly impact our results of operations. Based on the expected timing of our drilling schedule and decline curves, we determine our oil and natural gas production budgets and forecasts. We assess our actual production performance by comparing oil and natural gas production at a prospect level to budgets, forecasts and prior periods. In addition, we compare our initial production rates compared to our peers in each of our operated prospects. For more information about our production volumes, see Item 4. “Information on Sundance—Business Overview—Operating Data—Production and Pricing.”

Realized Prices on the Sale of Oil and Natural Gas

Factors Affecting the Sales Price of Oil and Natural Gas. We expect to market our oil and natural gas production to a variety of purchasers based on regional pricing. The relative prices of oil and natural gas are determined by the factors impacting global and regional supply and demand dynamics, such as geopolitical events, economic conditions, production levels, weather cycles and other events. In addition, relative prices are heavily influenced by product quality and location relative to consuming and refining markets.

Oil. The New York Mercantile Exchange—West Texas Intermediate (NYMEX-WTI) futures price is a widely used benchmark in the pricing of domestic crude oil in the United States. The actual prices realized from the sale of oil differ from the quoted NYMEX-WTI price as a result of quality and location differentials. Quality differentials to NYMEX-WTI prices result from the fact that oil differs in its molecular makeup, which plays an important part in refining and subsequent sale as petroleum products. Among other things, there are two characteristics that commonly drive quality differentials: (i) the American Petroleum Institute (“API”) gravity of the oil; and (ii) the percentage of sulfur content by weight of the oil. In general, lighter oil (with higher API gravity) produces a larger number of lighter products, such as gasoline, which have higher resale value and, therefore, depending on supply and demand fundamentals, normally sell at a higher price than heavier oil. Oil with low sulfur content (“sweet” oil) is less expensive to refine and, as a result, normally sells at a higher price than high sulfur content oil (“sour” oil).

Location differentials to NYMEX-WTI prices result from variances in transportation costs based on the proximity to the major consuming and refining markets. Oil that is produced close to major consuming and refining markets, such as near Cushing, Oklahoma, is in higher demand as compared to oil that is produced farther from such markets. Consequently, oil that is produced close to major consuming and refining markets normally realizes a higher price (*i.e.*, a lower location differential to NYMEX-WTI).

Oil prices have historically been extremely volatile, and we expect this volatility to continue into 2018. For example, the NYMEX-WTI oil price ranged from a high of \$60.46 per Bbl to a low of \$42.48 per Bbl during 2017. Our realized price per Bbl varies by basin primarily due to transportation costs, mainly trucking costs and pipeline tariffs, and regional basis differentials.

Natural Gas. The NYMEX-Henry Hub price of natural gas is a widely used benchmark for the pricing of natural gas in the United States. Similar to oil, the actual prices realized from the sale of natural gas differ from the quoted NYMEX-Henry Hub price as a result of quality and location differentials. Quality differentials to NYMEX-Henry Hub prices result from: (i) the Btu content of natural gas, which measures its heating value; and (ii) the percentage of sulfur, CO₂ and other inert content by volume. Wet natural gas with a high Btu content sells at a premium to low Btu content dry natural gas because it yields a greater quantity of NGLs. Natural gas with low sulfur and CO₂ content sells at a premium to natural gas with high sulfur and CO₂ content because of the added cost to separate the sulfur and CO₂ from the natural gas to render it marketable. Wet natural gas is processed in third-party natural gas plants, and residue natural gas as well as NGLs are recovered and sold. Dry natural gas residue from our properties is generally sold based on index prices in the region from which it is produced.

Location differentials to NYMEX-Henry Hub prices result from variances in transportation costs based on the proximity to the major consuming markets. The processing fee deduction retained by the natural gas processing plant generally in the form of percentage of proceeds also affects the differential. Generally, these index prices have historically been at a discount to NYMEX-Henry Hub natural gas prices.

Natural gas prices have historically been extremely volatile, and we expect the volatility to continue into 2018. The NYMEX-Henry Hub natural gas price ranged from a high of \$3.71 per MMBtu to a low of \$2.44 per MMBtu during 2017. Our realized gas price per MMBtu varies by basin based upon transportation costs, mainly pipeline tariffs, as well as liquids premiums and regional basis differentials.

Commodity Derivative Contracts. We have adopted a commodity derivative policy designed to minimize volatility in our cash flows from changes in commodity prices. On April 23, 2018, we entered into the New Credit Agreements (see Item 5. “Operating and Financial Review and Prospects – B. Liquidity and capital resources - *Credit Facilities*), under which we are required to hedge at least 70% of proved developed reserves through 2023 and for a rolling 36 month period thereafter. For more information on our commodity derivative policy, see Item 11 “Quantitative and Qualitative Disclosure About Market Risk.”

Lease Operating Expenses (“LOE”). We strive to increase our production levels to maximize our revenue. We evaluate operating costs to determine reserves, rates of return, and current and long-term profitability of our wells. We expect expenses for utilities, direct labor, water injection and disposal, and materials and supplies to comprise the most significant portion of our oil and natural gas production expenses. Oil and natural gas production expenses do not include general and administrative costs or production and other taxes. Certain items, such as direct labor and materials and supplies, generally remain relatively fixed across broad production volume ranges but can fluctuate depending on activities performed during a specific period. For instance, repairs to our pumping equipment or surface facilities may result in increased oil and natural gas production expenses during periods the repairs are performed.

A majority of our operating cost components are variable and may increase or decrease as the level of produced hydrocarbons and water increases or decreases. For example, we incur power costs in connection with various production-related activities, such as pumping to recover oil and natural gas and separation and treatment of water produced in connection with our oil and natural gas production. Over the life of hydrocarbon fields, the amount of water produced may increase and, as pressure declines in natural gas wells that also produce water, more power will be needed for artificial lift systems that help to remove water produced from the wells. Thus, production of a given volume of hydrocarbons may become more expensive each year as the cumulative oil and natural gas produced from a field increases until additional production becomes uneconomic. Our lease operating and production expense are both included in lease operating expenses.

Production and Ad Valorem Taxes. Texas regulates the development, production, gathering and sale of oil and natural gas, including imposing production taxes. The state currently imposes a production tax equal to 4.6% of the market value of oil sold, and a regulatory fee of 0.625% per barrel of oil sold. The State of Texas also imposes a production tax equal to 7.5% of the market value of the natural gas sold, and a regulatory fee of 0.0667% per Mcf of gas sold. In addition to the state taxes, McMullen, Dimmit and Atascosa Counties, Texas assesses an annual ad valorem tax which currently is estimated to be an average of 2.2% of the gross annual oil and gas sales value.

Generally, production taxes include taxes calculated on production volumes and sales values. Lease operating expenses include ad valorem taxes which are calculated on asset values.

General and Administrative Expenses (“G&A”). G&A expenses are comprised of employee benefits expense (including salaries and wages) and administrative expenses. Employee benefits expense includes salaries, wages and related benefits for our corporate personnel. Share based compensation expense, including restricted share units and deferred cash awards, is expensed in the statement of comprehensive income over the vesting period. The total amount expensed over the vesting period is determined by reference to the fair value of the units at the grant date. Administrative expenses include overhead costs, such as maintaining our headquarters, costs of managing our production and development operations, audit and other fees for professional services, and legal compliance.

We capitalize overhead costs, including salaries, wages, benefits and consulting fees, directly attributable to the exploration, acquisition and development of oil and gas properties.

Adjusted EBITDAX

Adjusted EBITDAX is a supplemental, non-IFRS financial measure and is defined as our earnings before interest expense, income taxes, depreciation, depletion and amortization, property impairments, gain/(loss) on sale of non-current assets, exploration expense, share-based compensation, gains and losses on commodity hedging, net of settlements of commodity hedging and certain other non-cash or non-recurring items of income(loss). We use this non-IFRS measure primarily to compare our results with other companies in the industry that make a similar disclosure, evaluate our operating performance and identify operating trends (which may otherwise be masked by the excluded items). We believe that this measure may also be useful to investors for the same purpose. Investors should not consider this measure in isolation or as a substitute for operating income, or any other measure for determining our operating performance that is calculated in accordance with IFRS. See Item 3.A. “Key Information—Selected Financial Data—*Adjusted EBITDAX*” for a reconciliation between Adjusted EBITDAX and net income before income tax expense.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires us to make estimates and judgments that can affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements. Significant estimates include volumes of proved and probable oil, natural gas and NGL reserves, which are used in calculating depreciation, depletion and amortization of development and production assets’ costs, estimates of future taxable income used in assessing the realizability of deferred tax assets, and the estimated costs and timing of cash outflows underlying restoration provisions. Oil, natural gas and NGL reserve estimates, and therefore calculations based on such reserve estimates, are subject to numerous inherent uncertainties, the accuracy of which, is a function of the quality and quantity of available data, the application of engineering and geological interpretation and judgment to available data and the interpretation of mineral leaseholds and other contractual arrangements, including adequacy of title, drilling requirements and royalty obligations. These estimates also depend on assumptions regarding quantities and production rates of recoverable oil, natural gas and NGL reserves, commodity prices, timing and amounts of development costs and operating expenses, all of which will vary from those assumed in our estimates. Other significant estimates are involved in determining impairments of exploration and evaluation expenditures, fair values of derivative assets and liabilities, share based compensation expense, collectability of receivables, and in evaluating disputed claims, interpreting contractual arrangements and contingencies. Estimates are based on current assumptions that may be materially affected by the results of subsequent drilling and completion, testing and production as well as subsequent changes in oil, natural gas and NGL prices, counterparty creditworthiness, interest rates and the market value and volatility of the Company’s common shares. Actual results may vary materially from our estimates. We have outlined below policies of particular importance to the portrayal of our financial position and results of operations and that require the application of significant judgment or estimates by our management.

In addition, we note that our significant accounting policies are detailed in Note 1 to our consolidated financial statements for the fiscal year ended December 31, 2017.

Development and Production Assets and Property and Equipment

Development and production assets, and property and equipment are carried at cost less, where applicable, any accumulated depreciation, amortization and impairment losses. The costs of assets constructed within Sundance includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads directly attributable to the acquisition or development of oil and gas properties and facilities necessary for the extraction of resources.

At each reporting date, we review our development and production assets for indicators of impairment or impairment reversal. If there is an indication of impairment, we will ensure the carrying amount of the assets is not in excess of the recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell (“FVLCS”) or its value-in-use (“VIU”). Development and production assets are assessed for impairment on a cash-generating unit basis. A cash-generating unit (“CGU”) is the smallest grouping of assets that generates independent cash inflows. We assess a CGUs as being an individual basin, which is the lowest level for which cash inflows are largely

independent of those of other assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis.

Under the VIU method, the recoverable amount of the CGU to which the assets belong is then estimated based on the present value of future discounted cash flows using our view of estimated reserve quantities as opposed to estimated reserve quantities prepared to conform to definitions contained in Rule 4-10(a) of Regulations S-X. For development and production assets, the expected future cash flow estimation is always based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates. A change in the modeled assumptions in isolation could materially change the recoverable amount. However, due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and therefore, on the extent of impairments under different sets of assumptions in subsequent reporting periods. In the event that future circumstances vary from these assumptions, the recoverable amount of our development and production assets could change materially and result in impairment losses or the reversal of previous impairment losses.

At December 31, 2017, the Company's market capitalization was lower than the net book value of the Company's net assets, which is deemed to be an indicator of impairment as described by IAS 36; as a result we performed an analysis of impairment. We estimated the VIU of the development and production assets using the income approach. For our analysis at December 31, 2017, we estimated the price/Bbl to be \$60.00 in 2018, \$62.50 in 2019, \$65.00 for 2020, \$67.50 for 2021, \$70.00 for 2022 and \$75.00/bbl in 2023 and thereafter. The discount rates applied to the future forecasted cash flows are based on a third party participant's pre-tax weighted average cost of capital, which was 9% and 20% for proved developed producing and proved undeveloped properties, respectively. Our estimate of the recoverable amount using the VIU model as at 31 December 2017 exceeded the carrying value of development and production and therefore no impairment was required.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and comprehensive income during the financial period in which they are incurred.

Assets Held For Sale

Assets held for sale are to be measured at the lower of FVLCS or the carrying value of the assets. We estimated the FVLCS of the Dimmit County held for sale group at December 31, 2017 using the income approach based on the estimated discounted future cash flows from the producing property and related exploration and evaluation assets. The model took into account our best estimate for pricing (same as described above) and a post-tax discount rate of 9.0% and 20.0% for proved developed producing and proved undeveloped properties, respectively. Our estimate of post-tax discount rates may be adjusted in the future based on the impact of the Tax Cuts and Jobs Act, however it is too early for us to assess the impact on market participant behavior and assumptions because the enactment occurred near year-end and there have been limited comparable transactions subsequent to enactment. Based on recent comparable market transactions, we assigned no value to probable and possible reserves, consistent with the approach we believe a market participant would utilize.

In addition, we corroborated the results of its discounted cash flow model with a market approach valuation which took into account market multiples derived from comparable market transactions of similar assets.

Based on our estimate of the FVLCS of its Dimmit County held for sale group, we recorded impairment expense of \$5.4 million for the year ended December 31, 2017.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures incurred are accumulated in respect of each identifiable area of interest. These costs are capitalized to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Any such estimates and assumptions may change as new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, for example a dry hole, the relevant capitalized amount is written off in the consolidated statement of profit or loss and other comprehensive income in the period in which new information becomes available. The costs of assets constructed within Sundance includes the leasehold cost, geological and geophysical costs, and an appropriate proportion of fixed and variable overheads directly attributable to the exploration and acquisition of undeveloped oil and gas properties.

When approval of commercial development of a discovered oil or gas field occurs, the accumulated costs for the relevant area of interest are transferred to development and production assets. The costs of developed and producing assets are amortized over the life of the area according to the rate of depletion of the proved developed reserves. The costs associated with the undeveloped acreage are not subject to depletion.

The carrying amounts of our exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in Note 1 to our consolidated financial statements for the year ended December 31, 2017, to determine whether any impairment indicators exists. Impairment indicators could include i) tenure over the license area has expired during the period or will expire in the near future, and is not expected to be renewed, ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned, iii) exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources, and management has decided to discontinue activities in the specific area, or iv) sufficient data exist to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resulting impairment loss is recognized in the income statement.

In assessing value-in-use, an asset's estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets/CGUs. Under a fair value less costs to sell calculation, we consider market data related to recent transactions for similar assets.

During the year ended December 31, 2017, we recorded impairment expense of \$0.2 million related to reimbursement of our share of additional capital costs incurred by the operator during 2017 at its Cooper Basin properties, which we had previously fully impaired in 2016.

Derivative Financial Instruments

We use derivative financial instruments to hedge our exposure to changes in commodity prices arising in the normal course of business. The principal derivatives that may be used are commodity price swap, option and costless collar contracts. The use of these instruments is subject to policies and procedures as approved by our Board of Directors. We do not trade in derivative financial instruments for speculative purposes. None of our derivative contracts have been designated as cash flow hedges for accounting purposes. Derivative financial instruments are initially recognized at cost, if any, which approximates fair value. Subsequent to initial recognition, derivative financial instruments are recognized at fair value. The derivatives are valued on a mark-to-market valuation, and the gain or loss on re-measurement to fair value is recognized through the statement of profit or loss and other comprehensive income. The estimated fair value of our derivative instruments requires substantial judgment. These values are based upon, among other things, option pricing models, futures prices, volatility, time to maturity and credit risk. The values we report in our financial statements change as these estimates are revised to reflect actual results, changes in market conditions or other factors, many of which are beyond our control. The effect on profit and equity as a result of changes in oil prices is included in "Quantitative and Qualitative Disclosures About Market Risk, Oil Prices Risk Sensitivity Analysis."

Estimates of Reserve Quantities

The estimated quantities of hydrocarbon reserves reported by the consolidated entity are integral to the calculation of depletion expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. For purposes of the calculation of depletion expense and the assessment of possible impairment of assets, other than pricing assumptions discussed in Note 19 to the Consolidated Financial Statements, management prepares reserve estimates that conform to the definitions contained in Rule 4-10(a) of Regulation S-X. These assessments require assumptions to be made regarding future development and production costs, commodity prices, development plans and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period and as additional geological data is generated during the course of operations. These reserve estimates may differ from estimates prepared in accordance with the rules and regulations of the SEC regarding oil and natural gas reserve reporting.

Income taxes

We provide for deferred income taxes on the difference between the tax basis of an asset or liability and its carrying amount in our financial statements. This difference will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in predicting when these events may occur and whether recovery of an asset is more likely than not, including judgments and assumptions about future taxable income and future operating conditions (particularly as related to prevailing oil and natural gas prices). For the year ended December 31, 2017, we did not recognize tax assets of \$36.7 million as the recovery was not determined to be more likely than not. As a result, we expect our effective tax rate to be significantly lower than the statutory rate in 2017. Some or all of these deferred tax assets could be recognized in future periods against future taxable income.

Additionally, our federal and state income tax returns are generally not filed before the consolidated financial statements are prepared. Therefore, we estimate the tax basis of our assets and liabilities at the end of each period as well as the effects of tax rate changes, tax credits, and net operating and capital loss carryforwards and carrybacks. Adjustments related to differences between the estimates we use and actual amounts we report are recorded in the periods in which we file our income tax returns. These adjustments and changes in our estimates of asset recovery and liability settlement could have an impact on our results of operations. Revisions to our estimated effective tax rate could increase or decrease our reported income tax expense or benefit.

Because our Australian operations are not significant to the consolidated profit or loss, foreign income taxes are not significant to consolidated income tax expense. Our effective and statutory income tax rates could be impacted by the state income tax rates in which we operate, and the effective and statutory income tax rates are not significantly different as the amount of permanent differences resulting from treatment that differs for assets and liabilities for financial and tax reporting purposes is not significant. The tax impact of temporary differences, primarily development and production assets and exploration and evaluation expenditures, is reflected in deferred income taxes. At December 31, 2017 and 2016, we had no unrecognized tax benefits that would impact our effective tax rate and we have not provided for interest or penalties related to uncertain tax positions. See Note 7 to the consolidated financial statements.

Revenue Recognition

Our revenue is derived from the sale of produced oil, natural gas and NGLs. Revenue is recorded in the month the product is delivered to the purchaser, while payment is received up to 90 days after delivery. At the end of each month, we estimate the amount of production delivered to purchasers and the price we will receive. Variances between our estimated revenue and actual payment are recorded in the month the payment is received. However, differences have been and are insignificant.

Recently Issued Accounting Standards

For further information on the effects of recently adopted accounting pronouncements and the potential effects of new accounting pronouncements, refer to “Note 1- Statement of Significant Accounting Policies” footnote in the notes to consolidated financial statements.

Comparison of Results of Operations

The following discussion relates to our consolidated results of operations, financial condition and capital resources. You should read this discussion in conjunction with our consolidated financial statements and the notes thereto contained elsewhere in this annual report. Comparative results of operations for the period indicated are discussed below.

Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Revenues and Sales Volume. The following table provides the components of our revenues for the years ended December 31, 2017 and 2016, as well as each period’s respective sales volumes:

	Year ended December 31,		Change in \$	Change as %
	2017	2016		
Revenue (In \$ '000s)				
Oil sales	\$ 89,136	\$ 57,296	\$ 31,840	55.6
Natural gas sales	8,743	4,937	3,806	77.1
NGL sales	6,520	4,376	2,144	49.0
Product revenue	\$ 104,399	\$ 66,609	\$ 37,790	56.7
	Year ended December 31,		Change in Volume	Change as %
	2017	2016		
Net sales volumes:				
Oil (Bbls)	1,799,752	1,412,475	387,277	27.4
Natural gas (Mcf)	3,621,289	2,940,715	680,574	23.1
NGL (Bbls)	323,669	331,622	(7,953)	(2.4)
Oil equivalent (Boe)	2,726,969	2,234,216	492,753	22.1
Average daily production (Boe/d)	7,471	6,104	1,367	22.4

Barrel of oil equivalent (“Boe”) and average net daily production (Boe/d). Sales volume increased by 492,753 Boe (22%) to 2,726,969 Boe (7,471 Boe/d) for the year ended December 31, 2017 compared to 2,234,216 Boe (6,104 Boe/d) for the prior year primarily due to our back-loaded 2016 development program and mid-year 2017 completions. All of our 2016 completions were in the second half of the year, resulting in less than a full year of production in 2016 and a full year of production in 2017 on those wells. The 2017 development program was not as back-loaded as its 2016 development program, resulting in a more even distribution of production from new wells during the year.

The Eagle Ford contributed 7,257 Boe/d (97%) of total sales volume during the year ended December 31, 2017 compared to 5,389 Boe/d (88%) during the prior year. We disposed of our Oklahoma assets in May 2017. Our sales volume is oil-weighted, with oil representing 66% and 63% of total sales volume for the years ended 31 December 2017 and 2016, respectively.

Oil sales. Oil sales increased by \$31.8 million (56%) to \$89.1 million for the year ended December 31, 2017 from \$57.3 million for the prior year. The increase in oil revenues was the result of the increase in product pricing (\$16.1 million), coupled with an increase in oil production (\$15.7 million). The average price we realised on the sale of our oil increased by 22% to \$49.53 per Bbl for the year ended December 31, 2017 from \$40.56 per Bbl for the prior year. Oil production volumes increased 27% to 1,799,752 Bbls for the year ended December 31, 2017 compared to 1,412,475 Bbls for the prior year.

Natural gas sales. Natural gas sales increased by \$3.8 million (77%) to \$8.7 million for the year ended December 31, 2017 from \$4.9 million for the prior year. The increase in natural gas revenues was primarily the result of higher product pricing (\$2.7 million) with increased production volumes further contributing to the increase in revenue (\$1.1 million). Natural gas production volumes increased 680,574 Mcf (23%) to 3,621,289 Mcf for the year ended December 31, 2017 compared to 2,940,715 Mcf for the prior year due to slightly higher gas-oil ratios on wells completed during the year. The average price we realised on the sale of our natural gas increased by 44% to \$2.41 per Mcf (net of transportation and marketing) for the year ended December 31, 2017 from \$1.68 per Mcf for the prior year.

NGL sales. NGL sales increased by \$2.1 million (49%) to \$6.5 million for the year ended December 31, 2017 from \$4.4 million for the prior year. The increase in NGL revenues was the result of better product pricing (\$2.2 million) partially offset by lower production volumes (\$0.1 million). The average price we realised on the sale of our natural gas liquids increased by 53% to \$20.14 per Bbl for the year ended December 31, 2017 from \$13.20 per Bbl for the prior year. NGL production volumes decreased 7,953 Bbls (2%) to 323,669 Bbls for the year ended December 31, 2017 compared to 331,622 Bbls for the prior year.

Selected per Boe metrics	Year ended December 31,		Change	Change as %
	2017	2016		
Total oil, natural gas and NGL revenues, before derivative settlements	\$ 38.28	\$ 29.81	\$ 8.47	28.4
Lease operating expenses	(8.22)	(5.79)	(2.43)	42.0
Production taxes	(2.43)	(1.88)	(0.55)	29.0
Depreciation and amortization	(21.40)	(21.55)	0.15	(0.7)
General and administrative expense	(6.73)	(5.42)	(1.31)	24.2

LOE. Our LOE increased by \$9.5 million (73%) to \$22.4 million for the year ended December 31, 2017 from \$12.9 million in the prior year, and increased \$2.43 per Boe to \$8.22 per Boe from \$5.79 per Boe. We had minimal workover expenses of \$0.75 per Boe in 2016, which increased to \$1.94 per Boe in 2017. In addition, recurring LOE increased from \$5.04 per Boe in 2016 to \$6.28 per Boe in 2017, partially driven by field service cost inflation.

Production taxes. Our production taxes increased by \$2.4 million (57%) to \$6.6 million for the year ended December 31, 2017 from \$4.2 million for the prior year but stayed relatively flat as a percent of revenue.

Depreciation and amortisation expense, including depletion ("DD&A"). Our DD&A expense increased by \$10.2 million (21%) to \$58.4 million for the year ended December 31, 2017 from \$48.1 million for the prior year but remained relatively consistent on a per Boe basis; 2017 DD&A was \$21.40 per Boe compared to \$21.55 per Boe in 2016.

G&A. G&A increased by \$6.2 million (52%) to \$18.3 million for the year ended December 31, 2017 as compared to \$12.1 million for the prior year. The increase in G&A was primarily due non-recurring legal costs related to litigation and professional fees related to the Eagle Ford acquisition completed in April 2018 (see Item 8. "Financial Information – Significant Changes"). Cash G&A expenses (which excludes non cash share-based compensation expense) per Boe increased by 42% to \$5.97 for the year ended December 31, 2017 as compared to \$4.19 per Boe for the prior year.

Impairment expense. The Company recorded an impairment expense of \$5.6 million for the year ended 31 December 2017 on the Company's oil and gas assets which includes reducing the carrying value of its Dimmit County assets by \$5.4 million to the estimated fair value, less costs to sell the assets. These assets were reclassified as "Assets Held for Sale" on the Company's balance sheet as of June 30, 2017. Under the applicable IFRS accounting rules, recording of amortisation expense ceases at the time the assets are reclassified, which resulted in impairment expense as the assets depleted over time. Impairment expense also recorded additional impairment of its Cooper Basin exploration and evaluation asset of \$0.2 million. We recorded impairment expense of \$10.2 million in the year ended December 31, 2016 related to our Greater Anadarko Basin and Cooper Basin assets.

Finance costs, net of amounts capitalized. Finance costs, net of amounts capitalised to exploration and development, increased by \$1.3 million to \$13.5 million for the year ended December 31, 2017 as compared to \$12.2 million in the prior year. The increase primarily relates to additional interest incurred on our production prepayment that we entered into during July 2017.

Loss on derivative financial instruments. We had a loss on derivative financial instruments of \$2.9 million for the year ended 31 December 2017 as compared to \$12.8 million loss in the prior year. The loss on derivative financial instruments consisted of \$1.2 million of unrealised losses on commodity derivative contracts and \$1.6 million of realised losses on commodity derivative contracts for the year ended December 31, 2017. The prior year loss on derivative financial instruments consisted of \$21.4 million of unrealised losses on commodity derivative contracts, offset by \$8.7 million of realised gains on commodity derivative contracts.

The following is a summary of our open oil and natural gas derivative contracts at December 31, 2017:

Contract Year	Oil Contracts (Weighted Average)(1)			Natural Gas Contracts (Weighted Average) (1)		
	Units (Bbl)	Floor	Ceiling	Units (Mmbtu)	Floor	Ceiling
2018	891,000	\$ 50.40	\$ 56.86	2,106,000	\$ 2.92	\$ 3.24
2019	828,000	\$ 50.56	\$ 53.49	1,212,000	\$ 2.78	\$ 3.47
2020	108,000	\$ 47.05	\$ 52.50	216,000	\$ 2.54	\$ 2.93
Total	1,827,000	\$ 50.28	\$ 55.07	3,534,000	\$ 2.85	\$ 3.30

(1) The Company's outstanding derivative positions include swaps totaling 1,089,000 Bbls and 1,350,000 Mcf, which are included in both the weighted average floor and ceiling value.

Subsequent to December 31, 2017, the Company contracted an additional 396,000 bbls, 396,000 bbls and 300,000 bbls for 2020, 2021 and 2022, respectively. The contracted prices range from \$50.00 to \$59.60 per bbl. In addition, the Company contracted an additional 480,000 mmbtu, 480,000 mmbtu, 1,200,000 mmbtu, 960,000 mmbtu and 720,000 mmbtu for 2018, 2019, 2020, 2021 and 2022, respectively. The contracted prices range from \$2.68 to \$2.83 per mmbtu.

Income taxes. The components of our provision for income taxes are as follows:

(In \$'000s)	Year ended December 31,		Change in \$	Change as %
	2017	2016		
Current tax expense/(benefit)	(4,688)	1,563	(6,251)	(399.9)
Deferred tax expense/(benefit)	2,815	142	2,673	1,882.4
Total income tax expense/(benefit)	(1,873)	1,705	(3,578)	(209.9)
Combined Federal and state effective tax rate	7.7 %	(3.9)%	11.6 %	(297.6)

Our combined Federal and state effective tax rates differ from our statutory tax rate (Australia) of 30% primarily due to an increase in unrecognised tax losses.

Loss attributable to owners of Sundance (or net loss). Loss attributable to our owners (or net loss after tax) was a net loss of \$22.4 million for the year ended December 31, 2017 a decrease from net loss of \$45.7 million for the year ended December 31, 2016, for the reasons discussed above.

Adjusted EBITDAX. The following provides Adjusted EBITDAX and EBITDAX margin for the years ended December 31, 2017 and 2016:

	Year ended December 31,		Change	Change as %
	2017	2016		
Adjusted EBITDAX (In \$'000s)	57,190	47,863	9,327	19.5
Adjusted EBITDAX Margin (as percent of revenue)	55	72	(17)	(23.6)

The overall increase in Adjusted EBITDAX in 2017 as compared to prior year was primarily driven by the increase in commodity prices and higher production volumes, partially offset by higher LOE and G&A costs.

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Revenues and Sales Volume. The following table provides the components of our revenues for the years ended December 31, 2016 and 2015, as well as each period's respective sales volumes:

	Year ended December 31,		Change in \$	Change as %
	2016	2015		
Revenue (In \$ '000s)				
Oil sales	\$ 57,296	\$ 82,949	\$ (25,653)	(30.9)
Natural gas sales	4,937	4,720	217	4.6
NGL sales	4,376	4,522	(146)	(3.2)
Product revenue	\$ 66,609	\$ 92,191	\$ (25,582)	(27.7)

	Year ended December 31,		Change in Volume	Change as %
	2016	2015		
Net sales volumes:				
Oil (Bbls)	1,412,475	1,828,955	(416,480)	(22.8)
Natural gas (Mcf)	2,940,715	2,580,682	360,033	14.0
NGL (Bbls)	331,622	393,211	(61,589)	(15.7)
Oil equivalent (Boe)	2,234,216	2,652,280	(418,064)	(15.8)
Average daily production (Boe/d)	6,104	7,267	(1,163)	(16.0)

Barrel of oil equivalent (Boe) and average net daily production (Boe/d). Sales volume decreased by 418,064 Boe (16%) to 2,234,216 Boe (6,104 Boe/d) for the year ended December 31, 2016 compared to 2,652,280 Boe (7,267 Boe/d) for the prior year primarily due to flush production in early 2015 as a result of the Company's back-loaded 2014 development program. All of our 2016 completions were in the second half of the year, resulting in less than a full year of production from those wells.

The Eagle Ford contributed 5,389 Boe/d (88%) of total sales volume during the year ended December 31, 2016 compared to 6,167 Boe/d (85%) during the prior year. Mississippian/Woodford contributed 715 Boe/d (12%) of total sales volume during the year ended December 31, 2015 compared to 1,100 Boe/d (15%) during the prior year. Our sales volume is oil-weighted, with oil representing 63% and 69% of total sales volume for the year ended December 31, 2016 and 2015, respectively.

Oil sales. Oil sales decreased by \$25.7 million (31%) to \$57.3 million for the year ended December 31, 2016 from \$82.9 million for the prior year. The decrease in oil revenues was the result of the decrease in product pricing (\$6.8 million), with an additional decrease due to oil production (\$18.9 million). The average price we realised on the sale of our oil decreased by 11% to \$40.56 per Bbl for the year ended December 31, 2016 from \$45.35 per Bbl for the prior year. Oil production volumes decreased 22.8% to 1,412,475 Bbls for the year ended December 31, 2016 compared to 1,828,955 Bbls for the prior year.

Natural gas sales. Natural gas sales increased by \$0.2 million (5%) to \$4.9 million for the year ended December 31, 2016 from \$4.7 million for the prior year. The increase in natural gas revenues was primarily the result of increased production volumes (\$0.7 million), offset by lower product pricing (\$0.4 million). Natural gas production volumes increased 360,033 Mcf (14%) to 2,940,715 Mcf for the year ended December 31, 2016 compared to 2,580,682 Mcf for the prior year due to slightly higher gas-oil ratios on wells completed during the year. The average price we realised on the sale of our natural gas decreased by 8% to \$1.68 per Mcf (net of transportation and marketing) for the year ended December 31, 2016 from \$1.83 per Mcf for the prior year.

NGL sales. NGL sales decreased by \$0.1 million (3%) to \$4.4 million for the year ended December 31, 2016 from \$4.5 million for the prior year. The decrease in NGL revenues was primarily the result of decreased production volumes (\$0.7 million), offset by better product pricing (\$0.6 million). The average price we realised on the sale of our natural gas liquids increased by 15% to \$13.20 per Bbl for the year ended December 31, 2016 from \$11.50 per Bbl for

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the prior year. NGL production volumes decreased 61,589 Bbls (16%) to 331,622 Bbls for the year ended December 31, 2016 compared to 393,211 Bbls for the prior year.

Selected per Boe metrics	Year ended December 31,		Change	Change as %
	2016	2015		
Total oil, natural gas and NGL revenues, before derivative settlements	\$ 29.81	\$ 34.76	\$ (4.95)	(14.2)
Lease operating expenses	(5.79)	(6.96)	1.17	(16.8)
Production taxes	(1.88)	(2.28)	0.40	(17.5)
Depreciation and amortization	(21.55)	(35.66)	14.11	(39.6)
General and administrative expense	(5.42)	(6.48)	1.06	(16.4)

LOE. Our LOE decreased by \$5.5 million (30%) to \$12.9 million for the year ended December 31, 2016 from \$18.5 million in the prior year, and decreased \$1.17 per Boe to \$5.79 per Boe from \$6.96 per Boe. During 2016, the Company was able to negotiate discounts and improved pricing with a significant number of LOE vendors, which resulted in lower LOE.

Production taxes. Our production taxes decreased by \$1.8 million (31%) to \$4.2 million for the year ended December 31, 2016 from \$6.0 million for the prior year but stayed relatively flat as a percent of revenue. The decrease in production tax expense is consistent with the decrease in revenue.

DD&A. Our DD&A expense decreased by \$46.4 million (49%) to \$48.1 million for the year ended December 31, 2016 from \$94.6 million for the prior year and decreased \$14.11 per Boe to \$21.55 per Boe from \$35.66 per Boe. The decrease is a result of decreased production levels and a lower depletable asset base due to prior-year's impairment.

G&A. Our G&A decreased by \$5.1 million (29.5%) to \$12.1 million for the year ended December 31, 2016 as compared to \$17.2 million for the prior year. The decrease in G&A is primarily due to cost saving initiatives implemented by the Company in 2016, including a restructuring that resulted in the lay-off of approximately 30% of the Company's employees in January 2016 as well as a decrease in share based compensation.

Impairment expense. We recorded impairment expense of \$10.2 million for the year ended December 31, 2016 on our oil and gas assets which includes reducing the carrying value of its Greater Anadarko Basin assets by \$4.6 to the expected proceeds from the sale of those assets. These assets were reclassified as "Assets Held for Sale" on the Company's balance sheet as of June 30, 2016. Under the applicable IFRS accounting rules, recording of amortisation expense ceases at the time the assets are reclassified, which resulted in impairment expense as the assets depleted over time. Impairment expense also included the write-down of its Cooper Basin exploration and evaluation asset (\$6.7 million) and a partially offsetting adjustment to prior year impairment expense related to a vendor discount received on 2015 capital expenditures subsequent to the issuance of the 2015 annual report (\$1.1 million). The Company had impairment expense of \$321.9 million in the year ended December 31, 2015.

Exploration expense. We did not incur any material exploration expenses for the year ended December 31, 2016. We incurred exploration expense of \$7.9 million in 2015 related to two unsuccessful exploratory wells.

Finance costs. Finance costs, net of amounts capitalized to exploration and development, increased by \$2.8 million to \$12.2 million for the year ended December 31, 2016 as compared to \$9.4 million in the prior year. The increase primarily relates to additional interest incurred on a larger average outstanding debt balance throughout 2016.

(Loss) Gain on derivative financial instruments. We incurred a loss on derivative financial instruments of \$12.8 million for the year ended December 31, 2016 as compared to \$15.3 million gain in the prior year. The loss on derivative financial instruments consisted of \$21.4 million of unrealized losses on commodity derivative contracts, offset by \$8.7 million of realized gains on commodity derivative contracts for the year ended December 31, 2016. The

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prior year gain on commodity hedging consisted of \$12.4 million and \$2.9 million of realised and unrealised gains on commodity derivative contracts, respectively.

Income taxes. The components of our provision for income taxes are as follows:

(In \$'000s)	Year ended December 31,		Change in \$	Change as %
	2016	2015		
Current tax expense (benefit)	1,563	(6,191)	7,754	(125.2)
Deferred tax expense/(benefit)	142	(100,947)	101,089	(100.1)
Total income tax expense/(benefit)	1,705	(107,138)	108,843	(101.6)
Combined Federal and state effective tax rate	(3.9)%	28.9 %	(32.8)%	(113.5)

Our combined Federal and state effective tax rates differ from our statutory tax rate (Australia) of 30% primarily due to an increase in unrecognised tax losses, partially offset by US Federal and state tax rates. The effective tax rate in 2015 was higher due to its deferred tax liabilities, which were fully utilized in the period.

Loss attributable to owners of Sundance (or net loss). Loss attributable to our owners (or net loss after tax) was a net loss of \$45.7 million for the year ended December 31, 2016 a decrease from net loss of \$263.8 million for the year ended December 31, 2015, for the reasons discussed above.

Adjusted EBITDAX. The following provides Adjusted EBITDAX and EBITDAX margin for the years ended December 31, 2016 and 2015:

	Year ended December 31,		Change	Change as %
	2016	2015		
Adjusted EBITDAX (In \$'000s)	47,863	64,781	(16,918)	(26.1)
Adjusted EBITDAX Margin (as percent of revenue)	72	70	2	2.9

The overall decrease in Adjusted EBITDAX during 2016 as compared to prior year was primarily driven by the decline in commodity prices and lower production volumes.

B. Liquidity and Capital Resources

Our primary sources of liquidity to date have been proceeds from strategic dispositions of low-interest non-operated oil and natural gas properties, sale of non-core oil and gas properties (such as our Greater Anadarko Basin assets in 2017), private placements of ordinary shares, borrowings under our credit facilities and cash flows from operations. Our primary use of capital has been for the acquisition and development of oil and natural gas properties. Our future ability to grow our reserves and production will be highly dependent on the capital resources available to us.

In July 2017, we entered into an agreement with Vitol, our oil purchaser, to provide a \$30 million revenue advance to us to be repaid through delivery of the Company's gross oil production. The advance provided short-term financing for our 2017 capital development program. At December 31, 2017, we had \$18.2 million outstanding under the agreement with Vitol.

In April 2018, concurrent with the Acquisition, we entered into a \$250 million syndicated second lien term loan (the New Term Loan Facility) and a syndicated \$250 million reserve-based revolving loan (the New Revolving Facility) with an initial borrowing base of \$87.5 million, (collectively, the New Credit Agreements). The proceeds of the New Term Loan Facility were used to retire the outstanding balance on our previous term loan and revolving lending facility, totaling \$192.0 million, pay loan commitment fees of \$15.9 million, to repay the outstanding balance on its production prepayment with Vitol of \$11.8 million and for liquidity to begin development of the acquired Eagle Ford assets.

The New Revolving Facility matures October 23, 2022, and the new Term Loan Facility matures on April 23, 2023.

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In June 2017, management committed to a plan to sell its interest in our oil and gas assets located in Dimmit County, Texas. The assets to be sold include developed and production assets and exploration and evaluations expenditures, with a net carrying value of \$60.0 million as of December 31, 2017.

Our 2018 capital budget is approximately \$190 million. We believe that our operating cash flows coupled with the proceeds from the refinancing, the equity raise and amounts available under our New Revolving Facility will be sufficient to fund our operations and planned 2018 capital expenditures. We may also use other sources of capital in the future, including the issuance of debt or equity securities, to fund acquisitions or maintain our financial flexibility.

The amount, timing and allocation of these and other future expenditures is largely discretionary. As a result, the amount of funds devoted to any particular activity may increase or decrease significantly, depending on available opportunities, timing of projects and market conditions. We expect that in the future our commodity derivative positions will help us stabilize a portion of our expected cash flows from operations despite potential declines in the price of oil and natural gas. However, should commodity prices further decline for an extended period of time or the capital/credit markets become constrained, the borrowing capacity under our New Revolving Facility could be adversely affected. In the event of a reduction in the borrowing base under our New Revolving Facility, we may be required to prepay some or all of our indebtedness, which would adversely affect our capital expenditure program. Our first redetermination under the New Revolving Facility will be in November 2018.

Cash Flows

Our cash flows for the years ended December 31, 2017, 2016 and 2015 are as follows:

(In \$ '000s)	Year ended December 31,		
	2017 (audited)	2016 (audited)	2015 (audited)
Financial Measures:			
Net cash provided by operating activities	\$ 74,776	\$ 42,660	\$ 64,469
Net cash used in investing activities	(92,503)	(79,991)	(180,771)
Net cash provided by financing activities	6,063	51,776	50,403
Cash and cash equivalents	5,761	17,463	3,468
Payments for development expenditure	(101,043)	(64,130)	(144,316)
Payments for exploration expenditure	(8,351)	(2,852)	(20,339)
Acquisitions, net of acquired cash	—	(23,506)	(15,023)
Proceeds from the sale of non-current assets	15,348	7,141	41

Cash flows provided by operating activities

Cash provided by operating activities for the year ended December 31, 2017 was \$74.8 million, an increase of \$32.1 million compared to 2016 (\$42.7 million). This increase was primarily due to receipts from sales increasing \$47.8 million, to \$112.5 million resulting from higher product pricing and increased production volumes, partially offset by higher lease operating expense and general administrative expenses. In addition, we increased our operating cash flow through quicker collection of production revenue receivables and due to the timing of payments of accounts payable and accrued expenses.

Cash provided by operating activities for the year ended December 31, 2016 was \$42.7 million, a decrease of \$21.8 million compared to 2015 (\$64.5 million). This decrease was primarily due to receipts from sales decreasing \$34.7 million, to \$64.7 million and pay down of 2015 accounts payables and accrued expense balances.

Cash flows used in investing activities

Cash used in investing activities for the year ended December 31, 2017 increased to \$92.5 million as compared to \$80.0 million in 2016. The Company had planned to increase its capital expenditures in 2017, due to the availability of higher cash flows from operations and the proceeds from the sale of its Oklahoma assets.

Cash used in investing activities for the year ended December 31, 2016 decreased significantly to \$80.0 million (including a net paydown of \$9.4 million related to 2015 development and exploration costs) as compared to \$180.8 million in prior year. This decrease was primarily due to our down-cycle development plan to drill and complete within operating cash flow, with the exception of some accelerated development subsequent to the capital raise in the second half of 2016.

Cash flows provided by financing activities

Cash provided by financing activities for the year ended December 31, 2017 decreased to \$6.1 million from \$51.8 million in 2016. This decrease is a result of not having a capital raise in 2017, compared to a \$64.2 million capital raise in 2016. There were no additional draws on our credit facilities in 2017; however, we had net proceeds of \$18.2 million in 2017 related to our revenue advance from Vitol.

Cash provided by financing activities for the year ended December 31, 2016 increased slightly to \$51.8 million. This increase is a result of the \$64.2 million capital raise, offset by borrowing costs paid of \$11.8 million. There were no additional draws on our credit facilities compared to last year's \$62.0 million net draw and no equity raised in 2015.

Credit Facilities

On April 23, 2018, we and our wholly-owned subsidiary Sundance Energy, Inc. entered into the New Credit Agreements consisting of 1) the New Term Loan Facility with Morgan Stanley Energy Capital, as administrative agent, and the lenders from time to time party thereto, which provides a \$250 million syndicated second lien term loan and 2) the New Revolving Facility with Natixis, New York Branch, as administrative agent, and the lenders from time to time party thereto, which provides a \$250 million revolver with an initial borrowing base of \$87.5 million. As of April 30, 2018, we had \$250 million outstanding under the New Term Loan Facility. No amounts were drawn under the New Revolving Facility, however \$12 million of borrowing capacity was committed under letters of credit in support of the MRC obligations under the new midstream marketing agreements.

Interest on the New Revolving Facility accrues at LIBOR plus a margin that ranges from 2.5% to 3.5% based upon the amount drawn. Interest on the New Term Loan Facility accrues at LIBOR (with a LIBOR floor 1.0%) plus 8.0%.

The key financial covenants of our New Credit Agreements require us beginning June 30, 2018 to (i) maintain a minimum current ratio, which is defined as consolidated current assets inclusive of undrawn borrowing capacity divided by consolidated current liabilities, of 1.00 or greater, (ii) a revolving debt to EBITDAX ratio, determined on a rolling four quarter basis, of 4.00 to 1.00 or less, (iii) maintain a minimum EBITDAX to consolidated interest expense ratio of 2.00 to 1.00 or greater, and beginning December 31, 2018, (iv) maintain a minimum Total Proved PV-9 (as defined in our New Term Loan Facility) to Total Debt (as defined in our New Credit Agreements) ratio of not less than 1.50 to 1.00. The New Credit Agreements require the Company to hedge 70% of its proved developed producing forecasted volumes. EBITDAX, as defined in the New Credit Agreements, is calculated as consolidated net income (loss) less the impact of interest, income taxes, depreciation, depletion, amortization, exploration expenses and other noncash charges and income (including share based compensation, unrealized gains and loss on derivative instruments).

In addition, our New Credit Agreements contain various covenants that limit our ability to take certain actions, including, but not limited to, the following:

- incur indebtedness or grant liens on any of our assets;
- enter into certain commodity hedging agreements;
- sell, transfer, assign or convey assets, including a sale of all or substantially all of our assets, or engage in certain mergers or acquisitions;
- make certain distributions (including payments of dividends);
- make certain loans, advances and investments; and

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- engage in transactions with affiliates.

If an event of default exists under either the New Revolving Facility or the New Term Loan Facility, the administrative agents will be able to terminate the commitments under the New Credit Agreements and accelerate the maturity of all loans made pursuant to the New Credit Agreements and exercise other rights and remedies. Events of default include, but are not limited to, the following events:

- failure to pay any principal when due under the New Revolving Facility or New Term Loan Facility;
- failure to pay any other obligation when due and payable within three business days after same becomes due;
- failure to observe or perform any covenant, condition or agreement in the New Revolving Facility or New Term Loan Facility or other loan documents, subject, in certain instances, to certain cure periods;
- failure of any representation and warranty made in connection with the loan documents to be true and correct in all material respects;
- bankruptcy or insolvency events involving us or our subsidiaries;
- cross-default to other indebtedness in excess of \$5 million;
- certain ERISA events involving us or our subsidiaries;
- a violation of the terms of the Intercreditor Agreement,
- bankruptcy or insolvency; and
- a change of control (as defined in our New Credit Agreements).

We and Sundance Energy, Inc. and their respective subsidiaries have also executed and delivered certain other related agreements and documents pursuant to the New Credit Agreements, including a guarantee and collateral agreement and mortgages for both the New Revolving Facility and the New Term Loan Facility. The obligations of the Company, Sundance Energy, Inc. and their respective subsidiaries under the New Revolving Facility are secured by a first priority security interest in favor of the lenders, in the Company, Sundance Energy, Inc. and their respective subsidiaries' tangible and intangible assets, and proved reserves, among other things. The obligations of the Company, Sundance Energy, Inc. and their respective subsidiaries under the New Term Loan Facility are secured by a second priority security interest in favor of the lenders, in the Company, Sundance Energy, Inc. and their respective subsidiaries' tangible and intangible assets, and proved reserves, among other things.

Prior to April 23, 2018 and as of December 31, 2017, we had a \$125 million term loan and revolving facility with a \$67 million borrowing base in place. We used proceeds from the new credit facilities to retire the term loan and revolving facility.

Capital Expenditures

The following table summarizes our capital expenditures incurred (excluding acquisitions and changes related to its restoration provision) for the years ending December 31, 2017 and 2016.

(In \$ '000s)	Year ending December 31		Change in \$	Change in %
	2017 (audited)	2016 (audited)		
Development and production assets	\$ 115,120	\$ 57,893	57,227	98.8
Exploration and evaluation expenditure	8,528	4,429	4,099	92.5
Total	\$ 123,648	\$ 62,322	61,326	98.4

C. Research and Development

Not applicable.

D. Trend Information

We believe that oil and natural gas prices may remain volatile for the foreseeable future. We anticipate that as commodity prices rise, we will continue to see increases in field service costs, material prices and all costs associated with drilling, completing and operating wells. However, on a per unit basis, we expect our costs to decrease in 2018 as the result of increased scale from our 2018 Eagle Ford acquisition and increased production.

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. Tabular disclosure of contractual obligations

The following table summarizes our contractual obligations as of December 31, 2017.

Contractual Obligations (In \$ '000s)	Payments due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Credit Facilities(1)	\$225,933	\$ 13,674	\$212,259	\$ —	\$ —
Cooper Basin capital commitments (2)	3,490	1,745	1,745	—	—
Operating lease obligations (3)	2,446	1,050	1,396	—	—
Employment commitments (4)	370	370	—	—	—
Restoration provision (5)	7,567	—	—	—	7,567
Total	\$239,806	\$ 16,839	\$215,400	\$ —	\$ 7,567

- (1) Includes principal and projected interest payments due under our revolving facility and term loan. Projected interest payments are based on a 4.6% and 8.3% interest rate for the revolving facility and term loan, respectively, in effect as of December 31, 2017. Timing above assumes credit facilities were held to maturity and that there are no subsequent changes to the borrowing base. Subsequent to December 31, 2017, the Company entered into a New Revolving Facility and New Term Loan Facility (see Item 5.B. "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Credit Facilities."). The maturity of the new facilities are October 2022 and April 2023, respectively.

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- (2) The Company has capital commitments of up to approximately A\$10.6 million through 2019 of which A\$6.2 million (US\$4.8 million) had been incurred through December 31, 2017 (commitment amounts in table shown in USD translated at December 31, 2017). Timing of commitment may vary.
- (3) Represents commitments for minimum lease payments in relation to non-cancellable operating leases for office space, net of sublease rentals, compressor equipment and the Company's amine treatment facility not provided for in the consolidated financial statements.
- (4) Represents commitments for the payment of salaries and other remuneration under long-term employment contracts not provided for in the consolidated financial statements.
- (5) We have established a restoration provision liability for the reclamation of oil and natural gas properties at the end of their economic lives. Based on our current projections, we believe the majority of our reclamation obligations will be incurred beyond five years from December 31, 2017. The amount shown does not include our Dimmit County, Texas, restoration provision liability, which we expect to dispose of in 2018.

Subsequent to December 31, 2017, we executed Midstream Partner contracts associated with the newly acquired Eagle Ford assets, which contain commitments to deliver oil volumes to meet MRCs to the Midstream Partner each year. The total commitment is \$81.7 million through 2022 (see page 39 for schedule of commitment by year). Under the terms of the contract, if we fail to deliver the volumes to satisfy the MRC, we are required to pay a deficiency payment equal to the shortfall.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table lists the names of our directors and executive officers.

Name	Position
Eric P. McCrady	Chief Executive Officer and Managing Director
Cathy L. Anderson	Chief Financial Officer
Grace Ford*	Chief Operating Officer
Mike Wolfe*	Vice President of Land
Trina Medina*	Vice President of Reservoir Engineering
Keith D. Kress*	Vice President of Operations
Michael D. Hannell	Chairman of the Board
Damien A. Hannes	Director
Neville W. Martin	Director
H. Weldon Holcombe	Director

* Officers only of Sundance Energy, Inc.

Eric P. McCrady has been our Chief Executive Officer since April 2011 and Managing Director of our board of directors since November 2011. He also served as our Chief Financial Officer from June 2010 until becoming Chief Executive Officer in 2011. Mr. McCrady has served in numerous positions in the energy, private investment and retail industries. From 2004 to 2010, Mr. McCrady was employed by The Broe Group, a private investment firm, in various financial and executive management positions across a variety of industry investment platforms, including energy, transportation and real estate. From 1997 to 2003, Mr. McCrady was employed by American Coin Merchandising, Inc. in various corporate finance roles. Mr. McCrady holds a degree in Business Administration from the University of Colorado, Boulder.

Cathy L. Anderson has been our Chief Financial Officer since December 2011. Ms. Anderson has over 30 years of experience, primarily in the oil and gas industry, and has extensive experience in budgeting and forecasting, regulatory reporting, corporate controls, and financial analysis and reporting. Prior to joining us in 2011, Ms. Anderson

had been a consultant to companies in the oil and gas industry since 2006. Ms. Anderson held various positions, including Chief Financial Officer of Optigas, Inc., a natural gas gathering, processing and marketing company, from 2005 to 2006 and Vice President of Internal Audit and Consulting for TeleTech Holdings, Inc., a Nasdaq-listed global service firm providing outsourced customer management, from 2002 to 2004. From 1993 to 1999, Ms. Anderson was the Controller and Chief Accounting Officer of NYSE-listed Key Production Company, Inc. (predecessor to Cimarex Energy). She began her career in 1985 with Arthur Andersen, LLP. Ms. Anderson holds a Bachelor of Science in Business Administration with High Honors, emphasis in Accounting, from the University of Montana. She is a certified public accountant.

Grace L. Ford has served as the Chief Operating Officer of our subsidiary Sundance Energy, Inc. since August 2015 and had previously served as our Vice President of Exploration and Development of our subsidiary, Sundance Energy, Inc. (March 2013 through August 2015), and as Vice President of Geology of Sundance Energy, Inc. (September 2011 through March 2013). Prior to joining us in 2011, Ms. Ford served in numerous positions in the oil and gas industry, working throughout the United States and in West Africa. Ms. Ford's experience spans both conventional and unconventional resource exploration, development, and reservoir characterization. Ms. Ford has extensive operational experience in multi-rig horizontal development programs. From 2010 to 2011, Ms. Ford was employed as a geologist by Rock Oil, a private equity-backed company with operations in the Eagle Ford in south Texas. From 2007 to 2010, Ms. Ford was employed as a geoscience manager by Baytex Energy, USA, and from 2001 to 2007, Ms. Ford was employed in various geologic and team leader positions by EOG Resources, Inc. Prior to her tenure with EOG Resources, Inc., Ms. Ford served in various geologic or engineering capacities for Marathon Oil Company, Schlumberger and the U.S. Geological Survey. Ms. Ford received her PhD in Geology from the Colorado School of Mines, a Master of Science degree in Geology from the University of Arkansas and a Bachelor's of Science degree in geology from the University of Wyoming. Ms. Ford is a registered professional geologist in the states of Texas, Wyoming and Utah.

Mike Wolfe has been Vice President of Land of our subsidiary, Sundance Energy, Inc., since March 2013 and was previously Senior Land Manager from December 2010. He has more than 30 years of senior land experience in the oil and gas industry. His experience encompasses all areas of land management, including field leasing, title, lease records, joint venture contracts and management of multi-rig drilling programs in numerous basins throughout the United States. From 1997 to 2010, Mr. Wolfe was a regional land manager for Cimarex Energy Company, a public oil and gas exploration and production company. From 1996 to 1997, he was a site acquisition agent for PacBell Mobile, a cellular phone service provider. From 1990 to 1996, he was a project landman for Capitol Oil Corporation, an oil and gas exploration and production company. From 1981 to 1990, he was an assistant land manager for TXO Production Corporation, an oil and gas exploration and production company. Prior to his tenure with TXO Production Corporation, he was a land representative for Texaco. Mr. Wolfe holds a Bachelor of Science degree in Business Administration, with a concentration in finance and real estate from Colorado State University.

Trina Medina has served as Vice President of Reservoir Engineering of our subsidiary, Sundance Energy, Inc., since September 2015. She has more than 20 years of broad reservoir engineering experience in the oil and gas industry, focused across conventional, unconventional and secondary recovery evaluation and development projects, including corporate reserves and budgeting with companies such as Newfield Exploration (2007-2015), Stone Energy Corporation (2005-2007), INTEVEP and PDVSA. Ms. Medina received a Master of Science degree in Reservoir Engineering from Texas A&M University, a Master of Science degree in Reservoir Geoscience from the Institut Francais du Petrole, and a Bachelors of Science degree in Petroleum Engineering from the Universidad Central de Venezuela. Ms. Medina is a member/reviewer of the Society of Petroleum Engineers (SPE) and a member for the Society of Petroleum Evaluation Engineers (SPEE).

Keith D. Kress was appointed Vice President of Operations of our subsidiary, Sundance Energy Inc. in October of 2017. He has over 20 years of varied engineering and management experience in the oil and gas industry. From 2010 to September 2017, he served as the VP Engineering and Operations Development with GMT Exploration, LLC. He also previously held senior level positions with Great Western Oil and Gas, LLC, Optigas, Inc. and EnCana Corporation. Mr. Kress received a Bachelor of Applied Science degree in Chemical Engineering from the University of Calgary.

Michael D. Hannell has been a Director of Sundance since March 2006 and chairman of our board of directors since December 2008. Mr. Hannell has wide experience in the oil and gas industry, spanning some 50 years, initially in the downstream sector and subsequently in the upstream sector. His extensive experience has been in a wide range of design and construction, engineering, operations, exploration and development, marketing and commercial, financial and corporate areas in the United States, United Kingdom, continental Europe and Australia at the senior executive level with Mobil Oil (now Exxon) and Santos Ltd. Mr. Hannell has previously held a number of board appointments the most recent being the chairman of Rees Operations Pty Ltd (doing business as Milford Industries Pty Ltd), an Australian automotive components and transportation container manufacturer and supplier; and the chairman of Sydac Pty Ltd, a designer and producer of simulation training products for industry. Mr. Hannell has also served on a number of not-for-profit boards, with appointments as president of the Adelaide-based Chamber of Mines and Energy, president of Business SA (formerly the South Australian Chamber of Commerce and Industry), chairman of the Investigator Science and Technology Centre, chairman of the Adelaide Graduate School of Business, and a member of the South Australian Legal Practitioners Conduct Board. Mr. Hannell holds a Bachelor of Science degree in Mechanical Engineering (with Honours) from the University of London (Battersea College of Technology) and is a Fellow of Engineers Australia. Mr. Hannell may not hold office without re-election past the annual general meeting (“AGM”) in 2019.

Damien A. Hannes has been a Director since August 2009. Mr. Hannes has over 25 years of finance, operations, sales and management experience. He has most recently served over 15 years as a managing director and a member of the operating committee, among other senior management positions, for Credit Suisse’s listed derivatives business in equities, commodities and fixed income in its Asia and Pacific region. From 1986 to 1993, Damien was a director for Fay Richwhite Australia, a New Zealand merchant bank. Prior to his tenure with Fay Richwhite, Mr. Hannes was the director of operations and chief financial officer of Donaldson, Lufkin and Jenrette Futures Ltd, a U.S. investment bank. He has successfully raised capital and developed and managed mining, commodities trading and manufacturing businesses in the global market. He holds a Bachelor of Business degree from the NSW University of Technology in Australia and subsequently completed the Institute of Chartered Accounts Professional Year before being seconded into the commercial sector. Mr. Hannes may not hold office without re-election past the AGM in 2018.

Neville W. Martin has been a Director since January 2012. Prior to his election, he was an alternate director on our board of directors. Mr. Martin has over 40 years of experience as a lawyer specializing in corporate law and mining, oil and gas law. He is currently a consultant to the Australian law firm, Minter Ellison. Mr. Martin has served as a director on the boards of several Australian companies listed on the Australian Securities Exchange, including Stuart Petroleum Ltd from 1999 to 2002, Austin Exploration Ltd. from 2005 to 2008 and Adelaide Energy Ltd from 2005 to 2011. Mr. Martin is the former state president of the Australian Resource and Energy Law Association. Mr. Martin holds a Bachelor of Laws degree from Adelaide University. Mr. Martin also serves on the board of directors of Woomera Exploration Limited, Pawnee Energy Limited, Numedico Technologies Pty, Ltd, Anglo Russian Energy Pty, Ltd, Newklar Asset Management Pty, Ltd, Houmar Nominees Pty, Ltd and Stansbury Petroleum Investments Pty, Ltd. Mr. Martin may not hold office without re-election past the AGM in 2018.

H. Weldon Holcombe has been a Director since December 2012. Mr. Holcombe has over 30 years of onshore and offshore U.S. oil and gas industry experience, including technology, reservoir engineering, drilling and completions, production operations, construction, field development and optimization, Health, Safety and Environmental (“HSE”), and management of office, field and contract personnel. Most recently, Mr. Holcombe served as the Executive Vice President, Mid Continental Region, for Petrohawk Energy Corporation from 2006 until its acquisition by BHP Billiton in 2011, after which Mr. Holcombe served as Vice President of New Technology Development for BHP Billiton. In his capacity as Executive Vice President for Petrohawk Energy Corporation, Mr. Holcombe managed development of leading unconventional resource plays, including the Haynesville, Fayetteville and Permian areas. In addition, Mr. Holcombe served as President of Big Hawk LLC, a subsidiary of Petrohawk Energy Corporation, a provider of basic oil and gas construction, logistics and rental services. Mr. Holcombe also served as corporate HSE officer for Petrohawk and joint chairperson of the steering committee that managed construction and operation of a gathering system in Petrohawk’s Haynesville field with one billion cubic feet of natural gas of production per day. Prior to Petrohawk, Mr. Holcombe served in a variety of senior level management, operations and engineering roles for KCS Energy and Exxon. Mr. Holcombe holds a Bachelor of Science degree in civil engineering from the University of Auburn. Mr. Holcombe may not hold office without re-election past the AGM in 2019.

There are no family relationships among any of our directors or executive officers. The business addresses for each of our directors and executive officers is Sundance Energy, Inc., 633 17th Street, Denver, Colorado 80202.

Employment Agreements with Executive Officers

On April 26, 2016, the Company entered into an employment agreement (“Employment Agreement”) with our Chief Executive Officer, Eric P. McCrady, with a three-year term effective January 2016 and base remuneration of \$370,000 per year, which is reviewed annually by the Remuneration and Nomination Committee. In the event of a not-for-cause termination or change in control (as described in the Employment Agreement) in which Mr. McCrady does not remain employed by the acquirer, the Employment Agreement provides payment of Mr. McCrady’s base remuneration through the end of the term of the Employment Agreement. He is eligible to participate in our incentive compensation program.

Other than Mr. McCrady, at the date of this report, we had not entered into or finalized employment agreements with any of our other executive officers. In August 2013, Damien Connor was appointed our Company Secretary. Mr. Connor provides services to Sundance through a contractual arrangement. None of our directors have any service contracts with Sundance or any of its subsidiaries providing for benefits upon termination of employment.

B. Compensation

Our Board of Directors recognizes that the attraction and retention of high-caliber directors and executives with appropriate incentives is critical to generating shareholder value. We have designed our compensation program to provide rewards for individual performance and corporate results and to encourage an ownership mentality among our executives and other key employees.

The Remuneration and Nominations Committee makes recommendations to our Board of Directors in relation to total compensation of directors and executives and reviews their remuneration annually. Independent external advice is sought when required. The Remuneration and Nominations Committee has retained Meridian Compensation Partners, LLC (“Meridian”), as its independent remuneration consultant, although no services were performed by Meridian for the 2017 fiscal year. Meridian was retained to provide executive and director remuneration consulting services to the Committee, including advice regarding the design and implementation of remuneration programs that are competitive and common among the U.S. oil and gas exploration and production industry, competitive market information, comparison advice with Australian companies and practice, regulatory updates and analyses and trends on executive base salary, short-term incentives, long-term incentives, benefits and perquisites. All remuneration paid to directors and executives is valued in accordance with applicable IFRS accounting rules.

Executives In assessing total compensation, our objective is to be competitive with industry compensation while considering individual and company performance. Base salaries for executives recognize their qualifications, experience and responsibilities as well as their unique value and historical contributions to Sundance. In addition to being important to attracting and retaining executives, setting base salaries at appropriate levels motivates employees to aspire to and accept enlarged opportunities. We do not consider base salaries to be part of performance-based compensation, in setting the amount, the individuals’ performance is considered. The majority of each executive’s compensation is performance based and “at risk.” We believe that equity ownership is an important element of compensation and that, over time, more of the executives’ compensation should be equity-based rather than cash-based so as to better align executive compensation with shareholder return. For the year ended December 31, 2017, the targeted “at risk” remuneration relating to performance variability with Short-Term Incentive (“STI”) bonuses and Long-Term Incentive (“LTI”) awards represents approximately 81% for the Managing Director and approximately 75% for all other executives. The Managing Director and other executives did not receive any performance-based awards for 2017 performance.

We have an incentive compensation program, comprised of short and long-term components, to incentivize key executives and employees of Sundance and its subsidiaries. The goal of the incentive compensation program is to motivate management and senior employees to achieve short and long-term goals to improve shareholder value. This

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plan represents the performance-based, at risk component of each executive's total compensation. The incentive compensation program is designed to:

- Attract and retain highly trained, experienced, and committed executives who have the skills, education, business acumen, and background to lead a mid-tier oil and gas business;
- Motivate and reward executives to drive and achieve our goal of increasing shareholder value;
- Provide balanced incentives for the achievement of near-term and long-term objectives, without motivating executives to take excessive risk; and
- Track and respond to developments such as the tightening in the labor market or changes in competitive pay practices.

The incentive compensation program has provisions for an annual cash and equity bonus in addition to the base salary levels. The annual cash bonus STI is established to reward short-term performance towards our goal of increasing shareholder value. The equity component LTI is intended to reward progress towards our long-term goals and to motivate and retain management to make decisions benefiting long-term value creation.

During 2017, the LTI component of our incentive compensation program comprised awards made pursuant to the Sundance Energy Australia Limited Long Term Incentive Plan, as amended (the "RSU Plan"). Any grants made to employees that also serve as a director are subject to shareholder approval prior to issuance.

The RSU Plan provides for the issuance of restricted share units ("RSUs") to our U.S. employees. The RSU Plan is administered by the Board. RSUs may be granted to eligible employees from a bonus pool established at the sole discretion of our Board. The bonus pool is subject to Board and management review of both the Company and the individual employee's performance over a measured period determined by the Remuneration and Nominations Committee and the Board. The RSUs may be settled in cash or shares at the discretion of the Board. We may amend, suspend or terminate the RSU Plan or any portion thereof at any time. Certain amendments to the RSU Plan may require approval of the holders of the RSUs who will be affected by the amendment.

LTI Award in 2018(for 2017 performance)

There were no LTI awards granted in 2018 related to 2017 performance.

LTI Award in 2017(for 2016 performance)

For the 2016 fiscal year (granted in 2017), the LTI incentives granted to executives were comprised of:

- 1) 50% of award value granted in RSUs which vest based upon the movement in Sundance ordinary share price over a three-year period ("Absolute Total Shareholder Return" or "A-TSR"). Absolute total shareholder return (A-TSR) is calculated by the change in the Company's ordinary share price plus dividends paid, if any, over the specified time period. The number of shares that can be earned under the A-TSR component of the award, ranges from 0% to 150% of the target share grant, based on A-TSR calculated at the end of the three-year assessment period according to the following multiples:

Absolute TSR Goal	Payout % of Target
25% preferred return	150 %
15% preferred return	100 %
8% preferred return	50 %
< 8% preferred return	— %

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- 2) 50% of award value granted as three tranches of deferred cash, earned through appreciation in the price of Sundance's ordinary shares during 2017, 2018 and 2019. The base deferred cash target awards are paid only after achieving the following share performance targets:

Payout Percentage	Target Share Price (Annual VWAP)		
	2017 (1)	2018	2019
50%	\$ 0.2182	\$ 0.2356	\$ 0.2525
100%	\$ 0.2323	\$ 0.2671	\$ 0.3072
150%	\$ 0.2525	\$ 0.3156	\$ 0.3945
300%	\$ 0.5050	\$ 0.6313	\$ 0.7891

- (1) The first tranche of the 2016 – LTI Deferred Cash Award was measured for vesting as of December 31, 2017. The preferred return on the Company's ordinary shares for the performance period was less than 8% (or the weighted average shares price was less than \$0.2182); therefore no deferred cash awards vested in 2018.

The available bonus pool for both STI and LTI is based on a percentage of each employee's annual base salary. On an annual basis, targets are established and agreed by the Remuneration and Nominations Committee, subject to endorsement by our Board of Directors. The targets are used to determine the bonus pool, but both the STI and LTI bonuses require approval by the Remuneration and Nominations Committee and are fully discretionary. Bonuses earned under the STI are typically paid in cash. However, no STI bonuses were paid for 2017 and 2016 performance.

In addition, certain ceiling and claw-back provisions have been set by our Board of Directors to ensure that the performance metrics are aligned with the best interests of the shareholders. It is the intention of the Remuneration and Nominations Committee to carefully monitor the incentive compensation program to ensure its ongoing effectiveness.

Our U.S.-based executives receive statutory retirement benefit payments as required under applicable U.S. law and receive contributions into their retirement account at a level commensurate with all other employees.

Non-executive Directors The Australian non-executive directors receive a basic annual fee for board membership and annual fees for committee service and chairmanships, all of which includes the superannuation guarantee contribution required by the Australian government, which is currently 9.50%. In accordance with ASX corporate governance principles, they do not receive any other retirement benefits or any performance-related incentive payments by means of cash or equity. Some individuals, however, have chosen to forego part of their salary to increase payments toward superannuation.

The following discussion is based upon a remuneration report that we prepared in compliance with listing rules of the ASX. Mr. Wolfe, Ms. Medina and Mr. Kress are not considered key management personnel as defined under listing rules of the ASX. As a result, their remuneration is not discussed below.

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Details of the cash remuneration, as prescribed by our home country jurisdiction, of our directors and executive officers for the year ended December 31, 2017 are as follows:

	Fixed Based Remuneration				Share-Based Payments	Performance Based			Total
	Cash Salary and Fees	Non-monetary Benefits (1)	Post-employment Benefits	Superannuation	RSU	STI-Bonus	LTI - Share Based (2)	LTI - Deferred Cash Based (3)	
2017									
Directors									
E. McCrady	\$ 369,288	\$ 22,344	\$ 8,100	\$ —	\$ —	\$ —	\$ 700,508	\$ (56,357)	\$ 1,043,883
M. Hannell	121,681	—	—	11,560	—	—	—	—	133,241
D. Hannes	99,397	—	—	9,443	—	—	—	—	108,840
N. Martin	84,363	—	—	8,015	—	—	—	—	92,378
W. Holcombe	127,429	—	—	—	—	—	—	—	127,429
	\$ 802,158	\$ 22,344	\$ 8,100	\$ 29,018	\$ —	\$ —	\$ 700,508	\$ (56,357)	\$ 1,505,771
									—
Key Management Personnel									
C. Anderson	294,433	15,623	8,100	—	—	—	429,940	(37,883)	710,213
G. Ford	294,433	14,983	8,100	—	—	—	430,132	(37,883)	709,765
	\$ 588,866	\$ 30,606	\$ 16,200	\$ —	\$ —	\$ —	\$ 860,072	\$ (75,766)	\$ 1,419,978
Total	\$ 1,391,024	\$ 52,950	\$ 24,300	\$ 29,018	\$ —	\$ —	\$ 1,560,580	\$ (132,123)	\$ 2,925,749

- (1) Non-monetary benefits includes car parking and payment of healthcare premiums.
- (2) The fair value of the services received in return for the LTI share-based awards is based on the allocable portion of aggregate fair value expense recognized under IFRS 2 for the year. The fair value of the services received in return for the time-based RSUs was determined by multiplying the number of shares granted by the closing price of the shares on the grant date. The fair value of the A-TSR and R-TSR shares has determined using a Monte Carlo simulation model, as further discussed in Note 1 to the Financial Statements. The amount included in remuneration is not related to or indicative of the benefit (if any) the individuals may ultimately realise should the RSUs vest.
- (3) The fair value of the services received in return for the LTI deferred cash awards is based on the allocable portion of aggregate fair value expense recognized under IFRS 2 for the year. The fair value of the deferred cash awards has been determined using a Monte Carlo simulation model and is remeasured at the end of each reporting period until the award is settled. The fair value of the deferred cash awarded to KMP decreased in 2017 as compared to 2016, and therefore is presented as negative income in the table above. The amount included in remuneration is not related to or indicative of the benefit (if any) the individuals may ultimately realise should the deferred cash vest.

At risk remuneration

Remuneration is structured to recognize both an individual's responsibilities, qualifications and experience, as well as to drive performance over the short and long-term. Fixed remuneration is established relative to the market and aligned with responsibilities, qualifications and experience, while variable remuneration is used to reward and motivate

outcomes beyond the standard expected. The relative weightings of “at risk” variable remuneration compared to fixed remuneration is as follows:

	Year ended December 31, 2017			
	Fixed Remuneration	STI	LTI	Target Performance Related
E. McCrady	19 %	19 %	62 %	81 %
C. Anderson	25 %	19 %	56 %	75 %
G. Ford	25 %	19 %	56 %	75 %
Non-executive directors	100 %	—	—	—

C. Board Practices

Our Board of Directors currently consists of five members, including our Chief Executive Officer. We believe that each of our directors has relevant industry experience. The membership of our Board of Directors is directed by the following requirements:

- our Constitution specifies that there must be a minimum of three directors and a maximum of 10, and our Board of Directors may determine the number of directors within those limits;
- it is the intention of our Board of Directors that its membership consists of a majority of independent directors who satisfy the criteria recommended by the ASX Principles and Recommendations;
- the chairperson of our Board of Directors should be an independent director who satisfies the criteria for independence recommended by the ASX Principles and Recommendations; and
- our Board of Directors should, collectively, have the appropriate level of personal qualities, skills, experience, and time commitment to properly fulfill its responsibilities or have ready access to such skills where they are not available.

Our Board of Directors has delegated responsibility for the conduct of our businesses to the Managing Director, but remains responsible for overseeing the performance of management. Our Board of Directors has established delegated limits of authority, which define the matters that are delegated to management and those that require Board of Directors approval. None of our directors have any service contracts with Sundance or any of its subsidiaries providing for benefits upon termination of employment.

Committees

To assist our Board of Directors with the effective discharge of its duties, it has established a Remuneration and Nominations Committee, an Audit and Risk Management Committee and a Reserves Committee. Each committee operates under a specific charter approved by our Board of Directors.

Remuneration and Nominations Committee. The members of our Remuneration and Nominations Committee are Messrs. Hannell (Chairman), Hannes and Holcombe, all of whom are independent, non-executive directors. This committee will identify, evaluate and recommend qualified nominees to serve on our Board of Directors, and maintain a management succession plan. In addition, the committee will oversee, review, act on and report on various remuneration matters to our Board of Directors.

Audit and Risk Management Committee. The members of our Audit and Risk Management Committee are Messrs. Hannes (Chairman), Hannell and Martin, all of whom are independent, non-executive directors, including for purposes of Rule 10A-3 of the Exchange Act. Mr. McCrady and Ms. Anderson are non-voting management representatives who advise the committee as appropriate. This committee will oversee, review, act on and report on various auditing and accounting matters to our Board of Directors, including the selection of our independent

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accountants, the scope of our annual audits, fees to be paid to the independent accountants, the performance of our independent accountants and our accounting practices. In addition, the committee will oversee, review, act on and report on various risk management matters to our Board of Directors.

The effective management of risk is central to our ongoing success. We have adopted a risk management policy to ensure that:

- appropriate systems are in place to identify, to the extent that is reasonably practical, all material risks that we face in conducting our business;
- the financial impact of those risks is understood and appropriate controls are in place to limit exposures to them;
- appropriate responsibilities are delegated to control the risks; and
- any material changes to our risk profile are disclosed in accordance with our continuous disclosure policy.

It is our objective to appropriately balance, protect and enhance the interests of all of our shareholders. Proper behavior by our directors, officers, employees and those organizations that we contract to carry out work is essential in achieving this objective.

We have established a code of conduct, which sets out the standards of behavior that apply to every aspect of our dealings and relationships, both within and outside Sundance. The following standards of behavior apply:

- comply with all laws that govern us and our operations;
- act honestly and with integrity and fairness in all dealings with others and each other;
- avoid or manage conflicts of interest;
- use our assets properly and efficiently for the benefit of all of our shareholders; and
- seek to be an exemplary corporate citizen.

Reserves Committee. The members of our Reserves Committee are Messrs. Holcombe (Chairman), Hannell and Martin, all of whom are independent, non-executive directors. This committee will assist the Board of Directors in monitoring:

- the integrity of the Company's oil, natural gas, and natural gas liquid reserves (Reserves);
- the independence, qualifications and performance of the Company's independent reservoir engineers; and
- the compliance by the Company with legal and regulatory requirements.

Compliance with Nasdaq Rules

Nasdaq listing rules allow for a foreign private issuer, such as Sundance, to follow its home country practices in lieu of certain of Nasdaq's corporate governance rules. Nasdaq listing rules require that we disclose the home country practices that we will follow in lieu of compliance with Nasdaq corporate governance rules. The following describes the home country practices and the related Nasdaq rule:

Majority of Independent Directors. We follow home country practice rather than Nasdaq's requirement that the majority of the board of directors of each issuer be comprised of independent directors. While ASX listing rules do not

require us to have a majority of independent directors, as noted above it is the intention of our Board of Directors that its membership consist of a majority of independent directors who satisfy the criteria recommended by the ASX Principles and Recommendations. As of the date of this annual report, our Board of Directors comprises a majority of independent directors.

Executive Sessions. We follow home country practice rather than Nasdaq's requirement that our independent directors meet regularly in executive sessions. ASX listing rules and the Corporations Act do not require the independent directors of an Australian company to have such executive sessions.

Quorum. We follow home country practice rather than Nasdaq's requirement that each issuer provide in its by-laws for a quorum of at least 33 1/3 percent of the outstanding shares of the issuer's voting common stock for any meeting of shareholders. In compliance with Australian law, our Constitution provides that three shareholders present shall constitute a quorum for a general meeting.

Shareholder Approval for Capital Issuances. We follow home country practice rather than Nasdaq's requirement that issuers obtain shareholder approval prior to the issuance of securities in connection with certain acquisitions, private placements of securities, or the establishment or amendment of certain stock option, purchase or other compensation plans. Applicable Australian law and rules differ from Nasdaq requirements, with the ASX listing rules providing generally for prior shareholder approval in numerous circumstances, including (i) issuance of equity securities exceeding 15% of our issued share capital in any 12-month period (but, in determining the 15% limit, securities issued under an exception to the rule or with shareholder approval are not counted), (ii) issuance of equity securities to related parties (as defined in the ASX listing rules), and (iii) directors or their associates acquiring securities under an employee incentive plan.

D. Employees

As of December 31, 2017, we had 52 full-time employees, including 18 in executive, finance and accounting and administration, 3 in geology, 24 in production and engineering and 7 in land. All of our employees are located in the United States. None of our employees are represented by a labor union or covered by any collective bargaining agreement. We believe that our relations with our employees are satisfactory.

E. Share Ownership

Number of Restricted Shares Units Held by Executive Officers

Key Management Personnel	Balance 12.31.2016	Issued as compensation	Forfeited RSUs	RSUs converted in to ordinary shares	Balance 12.31.2017	Market Value of Unvested RSUs 12.31.2017 (1)
E. McCrady (2)	7,085,516	3,724,191	—	(683,035)	10,126,672	\$ 584,877
C. Anderson	3,914,662	2,055,661	—	(380,653)	5,589,670	322,838
G. Ford	3,916,916	2,055,661	—	(382,907)	5,589,670	322,838
Total	14,917,094	7,835,513	—	(1,446,595)	21,306,012	\$ 1,230,553

(1) Market value based on the Company's closing share price on December 31, 2017 or USD \$0.058 based on the foreign currency exchange spot rate published by the Reserve Bank of Australia.

(2) The RSUs issued to Mr. McCrady were approved by the shareholders at the annual general meeting held on May 25, 2017.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table presents certain information regarding the beneficial ownership of our ordinary shares based on 6,867,696,796 ordinary shares outstanding as of April 24, 2018, by:

- each person known by us (through substantial shareholder notices filed with the ASX) to be the beneficial owner of 5% or more of our ordinary shares;
- each of our directors and executive officers individually; and
- each of our directors and executive officers as a group.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he or she possesses sole or shared voting or investment power of that security and includes restricted stock that is issuable or vests within 60 days. Information with respect to beneficial ownership has been furnished to us by each director, executive officer, or 5% or more shareholder, as the case may be.

As of April 24, 2018, we had 77 shareholders of record in the United States. These shareholders held an aggregate of 613,608,618 of our outstanding ordinary shares, or approximately 9% of our outstanding ordinary shares. The Bank of New York Mellon, which is the depository of our ADS program, held approximately 2% of our total outstanding ordinary shares. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Unless otherwise indicated, to our knowledge each shareholder possesses sole voting and investment power over the ordinary shares listed subject to community property laws, where applicable. None of our shareholders has different voting rights from other shareholders. Unless otherwise indicated, the address for each of the persons listed in the table below is Sundance Energy, Inc., 633 17th Street, Suite 1950, Denver, Colorado 80202.

Shareholder	Ordinary Shares Beneficially Owned	
	Number	Percent
5% Shareholders		
Morgan Stanley and subsidiaries (1)	529,055,471	7.70
Mitsubishi UFJ Financial Group, Inc. (2)	529,055,471	7.70
Ellerston Capital Limited (Primary Person) and its associates (3)	429,618,566	6.26 %
Officers and Directors		
Eric P. McCrady(4)	6,774,538	*
Michael D. Hannell	2,297,000	*
Damien A. Hannes(5)	12,397,472	*
Neville W. Martin(6)	1,390,218	*
H. Weldon Holcombe	1,315,200	*
Cathy L. Anderson(7)	2,383,769	*
Grace Ford(8)	2,177,229	*
Officers and directors as a group (seven persons)	28,735,426	* %

* Represents beneficial ownership of less than 1% of the outstanding ordinary shares of Sundance.

- (1) This information is based on a Form 603 filed with the ASX on April 27, 2018. The address for Morgan Stanley and its subsidiaries (as disclosed on the Form 603) is 1585 Broadway, New York, NY, 10036, U.S. Includes 29,399,600 ordinary shares held in the form of 293,996 ADRs.

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- (2) This information is based on a Form 603 filed with the ASX on April 30, 2018. The address for Mitsubishi UFJ Financial Group, Inc. ("Mitsubishi") is 2-7-1, Marunouchi, Chiyoda-ku, Tokyo 100-8330, Japan. The Form 603 reported that Mitsubishi had a relevant interest in securities that Morgan Stanley has a relevant interest in under section 608(3) of the Corporations Act as Mitsubishi UFJ Financial Group, Inc. has voting power of 20% in Morgan Stanley. The relevant interest includes 29,399,600 ordinary shares held in the form of 293,996 ADRs.
- (3) This information is based on a Form 603 filed with the ASX on April 27, 2018. The address for Ellerston Capital Limited's substantial shareholder is Level 11, 179 Elizabeth Street, Sydney, NSW, 2000, Australia.
- (4) Includes restricted share units that are issuable or scheduled to vest within 60 days of April 24, 2018 totaling 1,596,616 shares.
- (5) Includes (i) 3,986,486 ordinary shares held by Mr. Hannes individually and (ii) 8,410,986 ordinary shares held in a trust of which Mr. Hannes serves as a director and shares voting and investment power with respect to such shares.
- (6) Includes (i) 193,848 ordinary shares held by Mr. Martin individually, and (ii) 1,196,370 ordinary shares held in trust of which Mr. Martin serves as trustee and is a beneficiary.
- (7) Includes restricted share units that are issuable or scheduled to vest within 60 days of April 24, 2018 totaling 881,293 shares.
- (8) Includes restricted share units that are issuable or scheduled to vest within 60 days of April 24, 2018 totaling 881,293 shares.

To our knowledge, there have not been any significant changes in the ownership of our ordinary shares by major shareholders over the past three years, except as follows (which is based upon substantial shareholder notices filed with the ASX):

- Ellerston Capital Limited, in its capacity as investment manager for various clients or as trustee/responsible entity for investment vehicles, reported that it became a substantial shareholder on April 24, 2018, when it held 429,618,566 ordinary shares, or 6.26% of the total voting power as of that date.
- Morgan Stanley and its subsidiaries reported that it became a substantial shareholder on April 24, 2018, when it held 499,655,871 ordinary shares and 293,996 ADRs (representing 29,399,600 ordinary shares), or 7.70% of the total voting power as of that date.
- For various periods between May 2015 and December 2016, IOOF Holding Limited ("IOOF") reported it was a substantial holder, holding as many as 87,879,896 ordinary shares, and up to 10.05% of our outstanding ordinary shares at times during this period. On January 20, 2017, IOOF Holdings Limited ("IOOF") IOOF reported that as of that date, it was no longer a substantial shareholder.
- Renaissance Smaller Companies Pty Ltd became a substantial shareholder on July 18, 2016, when it reported that it held 69,230,769 ordinary shares, or 5.87%, of the total voting power as of that date. On December 14, 2016, Renaissance Smaller Companies Pty Ltd reported that as of December 12, 2016, it was no longer a substantial shareholder.
- Northcape Capital Pty Ltd became a substantial shareholder on May 26, 2015, when it reported that it held 27,534,107 ordinary shares, or 5.01%, of the total voting power as of that date. On November 13, 2015, Northcape Capital Pty Ltd reported that as of November 11, 2015, it was no longer a substantial shareholder.

We note that, each of our directors and executive officers owns less than 1% of our outstanding ordinary shares.

B. Related Party Transactions

From January 1, 2017 through the date of this report, we did not enter into any transactions or loans with any:
(i) enterprises that directly or indirectly, through one or more intermediaries, control, are controlled by or are under common control with us; (ii) associates; (iii) individuals owning, directly or indirectly, an interest in our voting power

that gives them significant influence over us, and close members of any such individual's family; (iv) key management personnel and close members of such individuals' families; or (v) enterprises in which a substantial interest in our voting power is owned, directly or indirectly, by any person described in (iii) or (iv) or over which such person is able to exercise significant influence.

There were no material related party transactions for the year ended December 31, 2017, 2016 and 2015.

C. Interest of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Financial Statements and Other Financial Information

Our financial statements are included in Item 18 "Financial Statements."

Legal Proceedings

From time to time, we are subject to legal proceedings and claims that arise in the ordinary course of business. Like other gas and oil producers and marketers, our operations are subject to extensive and rapidly changing federal and state environmental, health and safety, and other laws and regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. We are not aware of any material pending or overtly threatened legal action against Sundance or its directors or senior management, except as noted below.

In August 2015, the Buyer of its non-operated Phoenix (North Dakota) properties sold in December 2013 filed a lawsuit against the Company. The claim of \$0.9 million, plus interest and legal costs, related to costs not included by the buyer on the final post-closing settlement, for which it sought reimbursement from the Company. In August 2017, a jury ruled in favor of the Buyer. The Company is currently appealing the decision.

Dividends

Subject to the Corporations Act and the ASX listing rules, the rights attaching to our ordinary shares are detailed in our Constitution. Our Constitution provides that any of our ordinary shares may be issued with preferred, deferred or other special rights, whether in relation to dividends, voting, return of share capital, payment of calls or otherwise as our Board of Directors may determine from time to time. Subject to the Corporations Act and the ASX listing rules, any rights and restrictions attached to a class of shares, we may issue further shares on such terms and conditions as our Board of Directors resolve. Currently, our outstanding share capital consists of only one class of ordinary shares.

Our Board of Directors may from time to time determine to pay dividends to shareholders. All unclaimed dividends may be invested or otherwise made use of by our Board of Directors for our benefit until claimed or otherwise disposed of in accordance with our Constitution.

B. Significant Changes

On April 23, 2018, our wholly owned subsidiary Sundance Energy, Inc. acquired from Pioneer Natural Resources USA, Inc., Reliance Industries and Newpek, LLC (collectively the "Sellers") approximately 21,900 net acres in the Eagle Ford oil, volatile oil, and condensate windows in McMullen, Live Oak, Atascosa and La Salle counties, Texas for a cash purchase price of \$221.5 million. To finance the acquisition, the Company raised \$260.0 million of capital through the issuance of 5,614,447,268 ordinary shares.

Contemporaneous with the Acquisition closing, on April 23, 2018, we and Sundance Energy Inc. entered into the New Credit Agreements consisting of 1) the New Term Loan Facility with Morgan Stanley Energy Capital, as

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administrative agent, and the lenders from time to time party thereto, which provides a \$250 million syndicated second lien term loan and a 2) the New Revolving Facility with Natixis, New York Branch, as administrative agent, and the lenders from time to time party thereto, which provides a syndicated revolver with initial availability of \$87.5 million (with a \$250.0 million face). The proceeds of the new credit facilities were used to retire our existing credit facilities of \$192.0 million, repay the remaining outstanding production prepayment of \$11.8 million and pay deferred financing fees of \$15.9 million. The balance will be used for liquidity to begin development of the acquired Eagle Ford assets.

Item 9. The Offer and Listing**A. Offer and Listing Details****Pricing History***The Nasdaq Stock Market*

Since September 7, 2016, our ordinary shares in the form of ADSs have been trading on Nasdaq under the symbol “SNDE.” The following table sets forth the high and low market prices for our ADSs for the periods indicated as reported on Nasdaq. All prices are in U.S. dollars.

	<u>US\$ High</u>	<u>US\$ Low</u>
Annual:		
<i>Fiscal year ended December 31</i>		
2017	17.99	3.61
2016	17.60	9.75
Quarterly:		
<i>Fiscal year ended December 31, 2018</i>		
First quarter	9.59	4.39
<i>Fiscal year ended December 31, 2017</i>		
Fourth Quarter	6.28	3.83
Third Quarter	5.53	3.61
Second Quarter	9.95	4.67
First Quarter	17.99	8.53
<i>Fiscal year ended December 31, 2016</i>		
Fourth quarter	16.25	10.52
Third quarter	17.60	9.75
Most Recent Six Months:		
March 2018	5.85	4.39
February 2018	8.32	5.43
January 2018	9.59	6.14
December 2017	6.28	4.74
November 2017	6.05	4.30
October 2017	4.87	3.83

On April 24, 2018, the closing price of our ADSs as traded on the Nasdaq was \$4.19 per ADS.

Australian Securities Exchange

The following table presents, for the periods indicated, the high and low market prices for our ordinary shares reported on the ASX, under the symbol “SEA.” All prices are in Australian dollars.

	High A\$	Low A\$
Annual:		
<i>Fiscal year ended December 31</i>		
2017	0.24	0.05
2016	0.27	0.06
2015	0.71	0.16
2014	1.42	0.38
2013	1.18	0.76
Quarterly:		
<i>Fiscal year ended December 31, 2018</i>		
First Quarter	0.12	0.06
<i>Fiscal year ended December 31, 2017</i>		
Fourth Quarter	0.08	0.05
Third Quarter	0.07	0.05
Second Quarter	0.13	0.06
First Quarter	0.24	0.11
<i>Fiscal year ended December 31, 2016</i>		
Fourth Quarter	0.22	0.15
Third Quarter	0.18	0.10
Second Quarter	0.22	0.10
First Quarter	0.27	0.06
Most Recent Six Months:		
March 2018	0.08	0.06
February 2018	0.09	0.07
January 2018	0.12	0.08
December 2017	0.08	0.06
November 2017	0.08	0.06
October 2017	0.06	0.05

On April 24, 2018 the closing price of our ordinary shares as traded on the ASX was A\$0.063 per ordinary share (U.S. \$0.05 per share based on the foreign exchange rate of A\$1.00 to \$0.7608 as published by the Reserve Bank of Australia as of April 24, 2018).

As of April 24, 2018, we had 6,867,696,796 ordinary shares outstanding, with 613,608,618 of our ordinary shares being held in the United States by 77 holders of record and 6,225,822,965 of our ordinary shares being held in Australia by 6,119 holders of record. Among these shares, 134,077,500 ordinary shares are in the form of ADSs. A large number of our ordinary shares are held in nominee companies so we cannot be certain of the origin of those beneficial owners.

B. Plan of Distribution

Not applicable.

C. Markets

Our ordinary shares trade on the ASX under the symbol “SEA.” Since September 7, 2016, our ordinary shares in the form of ADSs have been trading on Nasdaq under the symbol “SNDE.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Our Constitution

The information called for by this Item 10.B. has been reported previously in our registration statement on form 20-F (File No. 000-55246) filed with the SEC on July 11, 2014 as amended on Form 20-F/A on August 26, 2014, under the heading “Additional Information—Our Constitution” and is incorporated by reference into this annual report.

C. Material Contracts

Credit Facilities

In May 2015, Sundance Energy Australia Limited and Sundance Energy, Inc. entered into the credit agreement with Morgan Stanley Energy Capital, Inc., as administrative agent, and the lenders from time to time party thereto, which provides for our \$300 million revolving facility and \$125 million term loan. The revolving facility is subject to a borrowing base, which was set initially at \$75 million. The borrowing base was reduced to \$67 million on December 30, 2015, which was the amount outstanding at December 31, 2017.

On April 23, 2018, concurrent with the closing of our Eagle Ford acquisition, Sundance Energy Australia Limited and Sundance Energy, Inc entered into the New Credit Agreements, consisting of the \$250 million syndicated second lien New Term Loan Facility with Morgan Stanley Energy Capital, Inc, as administrative agent, and the lenders from time to time party thereto, and a syndicated \$250 million New Revolving Facility with Natixis, New York Branch, as administrative agent, and the lenders from time to time party thereto, with an initial borrowing base of of \$87.5 million. At closing on April 23, 2018, \$250 million of the New Term Loan Facility was funded and none was drawn on the New Revolving Facility, with an additional \$12 million of letter of credits in place, which reduced the borrowing availability under the New Revolving Facility.

The New Term Loan Facility and New Revolving Facility refinanced the Company’s previous credit facilities with Morgan Stanley. At closing, the Company used \$192.0 million of the proceeds to pay off its previous credit facilities, which were fully paid-off.

For a description of the material terms of our credit facilities, see Item 5.B. “Operating and Financial Review and Prospects—Liquidity and Capital Resources—*Credit Facilities*.”

D. Exchange Controls

The Australian dollar is convertible into U.S. dollars at freely floating rates. There are no legal restrictions on the flow of Australian dollars between Australia and the United States. Any remittances of dividends or other payments by Sundance to persons in the United States are not and will not be subject to any exchange controls.

E. Taxation

The following is a summary of material U.S. federal and Australian income tax considerations to U.S. holders, as defined below, of the acquisition, ownership and disposition of ordinary shares and ADSs. This discussion is based on the tax laws in force as of the date of this annual report, and is subject to changes in the relevant tax law, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any country or other taxing jurisdiction other than the United States and Australia. Holders are advised to consult their tax advisors concerning the overall tax consequences of the acquisition, ownership and disposition of ordinary shares and ADSs in their particular circumstances. This discussion is not intended, and should not be construed, as legal or professional tax advice.

This summary does not describe U.S. federal estate and gift tax considerations or any state and local tax considerations within the United States, and is not a comprehensive description of all U.S. federal or Australian income tax considerations that may be relevant to a decision to acquire, hold or dispose of ordinary shares or ADSs. Furthermore, this summary does not address U.S. federal or Australian income tax considerations relevant to holders subject to taxing jurisdictions other than, or in addition to, the United States and Australia, and does not address all possible categories of holders, some of which may be subject to special tax rules.

U.S. Federal Income Tax Considerations

The following summary describes the material U.S. federal income tax consequences to U.S. holders of the acquisition, ownership and disposition of our ordinary shares and ADSs as of the date hereof. Except where noted, this summary deals only with ordinary shares or ADSs held as capital assets within the meaning of Section 1221 of the Code. This section does not discuss the tax consequences to any particular holder, nor any tax considerations that may apply to holders subject to special tax rules, such as:

- insurance companies;
- financial institutions;
- individual retirement and other tax-deferred accounts;
- regulated investment companies;
- real estate investment trusts;
- individuals who are former U.S. citizens or former long-term U.S. residents;
- brokers or dealers in securities or currencies;
- traders that elect to use a mark-to-market method of accounting;
- investors in pass-through entities for U.S. federal income tax purposes;
- tax-exempt entities;
- persons subject to the alternative minimum tax;

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- persons that hold ordinary shares or ADSs as a position in a straddle or as part of a hedging, wash sale, constructive sale or conversion transaction for U.S. federal income tax purposes;
- persons that have a functional currency other than the U.S. dollar;
- persons that own (directly, indirectly or constructively) 10% or more of our equity; or
- persons that are not U.S. holders.

In this section, a “U.S. holder” means a beneficial owner of ordinary shares or ADSs that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a court in the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (ii) that has an election in effect under applicable income tax regulations to be treated as a U.S. person.

The discussion below is based upon the provisions of the Code, and the U.S. Treasury regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes acquires, owns or disposes of ordinary shares or ADSs, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships that acquire, own or dispose of ordinary shares or ADSs should consult their tax advisors.

You are urged to consult your own tax advisor with respect to the U.S. federal, as well as state, local and non-U.S., tax consequences to you of acquiring, owning and disposing of ordinary shares or ADSs in light of your particular circumstances, including the possible effects of changes in U.S. federal and other tax laws.

ADSs

If you hold ADSs you generally will be treated, for U.S. federal income tax purposes, as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

Distributions

Subject to the passive foreign investment company rules discussed below, U.S. holders generally will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of ordinary shares or ADSs, with respect to ordinary shares or ADSs to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income on the day actually or constructively received by the holder, in the case of ordinary shares, or by the depository, in the case of ADSs. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits, as so determined, the excess will be treated first as a tax-free return of the U.S. holder's tax basis in the ordinary shares or ADSs and thereafter as capital gain. Notwithstanding the foregoing, we do not intend to maintain calculations of earnings and profits, as

determined for U.S. federal income tax purposes. Consequently, any distributions generally will be reported as dividend income for U.S. information reporting purposes. See “Backup Withholding Tax and Information Reporting Requirements” below. Dividends paid by us will not be eligible for the dividends-received deduction generally allowed to U.S. corporate shareholders.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual, trust or estate with respect to the ordinary shares or ADSs will be subject to taxation at a maximum rate of 20% if the dividends are “qualified dividends.” Dividends paid on ordinary shares or ADSs will be treated as qualified dividends if (i) either (a) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service (the “IRS”) has approved for the purposes of the qualified dividend rules, or (b) the dividends are with respect to ordinary shares or ADSs readily tradable on a U.S. securities market, (ii) we are not, in the year prior to the year in which the dividend was paid, and are not, in the year which the dividend is paid, a PFIC and (iii) certain holding period requirements are met. The Agreement between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Treaty”) has been approved for the purposes of the qualified dividend rules, and we expect to qualify for benefits under the Treaty. However, the determination of whether a dividend qualifies for the preferential tax rates must be made at the time the dividend is paid. U.S. holders should consult their own tax advisors.

Includible distributions paid in Australian dollars, including any Australian withholding taxes, will be included in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the spot exchange rate in effect on the date of actual or constructive receipt, regardless of whether the Australian dollars are converted into U.S. dollars at that time. If Australian dollars are converted into U.S. dollars on the date of actual or constructive receipt, the tax basis of the U.S. holder in those Australian dollars will be equal to their U.S. dollar value on that date and, as a result, a U.S. holder generally should not be required to recognize any foreign exchange gain or loss.

If Australian dollars so received are not converted into U.S. dollars on the date of receipt, the U.S. holder will have a basis in the Australian dollars equal to their U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the Australian dollars generally will be treated as ordinary income or loss to such U.S. holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends received by a U.S. holder with respect to ordinary shares or ADSs will be treated as foreign source income, which may be relevant in calculating the holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For these purposes, dividends generally will be categorized as “passive” or “general” income depending on a U.S. holder’s circumstance.

Subject to certain complex limitations, a U.S. holder generally will be entitled, at its option, to claim either a credit against its U.S. federal income tax liability or a deduction in computing its U.S. federal taxable income in respect of any Australian taxes withheld. If a U.S. holder elects to claim a deduction, rather than a foreign tax credit, for Australian taxes withheld for a particular taxable year, the election will apply to all foreign taxes paid or accrued by or on behalf of the U.S. holder in the particular taxable year.

You may not be able to claim a foreign tax credit (and instead may claim a deduction) for non-U.S. taxes imposed on dividends paid on the ordinary shares or ADSs if you (i) have held the ordinary shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale).

The availability of the foreign tax credit and the application of the limitations on its availability are fact specific and are subject to complex rules. You are urged to consult your own tax advisor as to the consequences of Australian withholding taxes and the availability of a foreign tax credit or deduction. See “—Australian Tax Considerations—*Taxation of Dividends*.”

Sale, Exchange or other Disposition of Ordinary Shares or ADSs

Subject to the passive foreign investment company rules discussed below, a U.S. holder generally will, for U.S. federal income tax purposes, recognize capital gain or loss on a sale, exchange or other disposition of ordinary shares or ADSs equal to the difference between the amount realized on the disposition and the U.S. holder's tax basis (in U.S. dollars) in the ordinary shares or ADSs. This recognized gain or loss will generally be long-term capital gain or loss if the U.S. holder has held the ordinary shares or ADSs for more than one year. Generally, for U.S. holders who are individuals (as well as certain trusts and estates), long-term capital gains are subject to U.S. federal income tax at preferential rates. For foreign tax credit limitation purposes, gain or loss recognized upon a disposition generally will be treated as from sources within the United States. The deductibility of capital losses is subject to limitations for U.S. federal income tax purposes.

You should consult your own tax advisor regarding the availability of a foreign tax credit or deduction in respect of any Australian tax imposed on a sale or other disposition of ordinary shares or ADSs. See “—Australian Tax Considerations —Tax on Sales or other Dispositions of Shares.”

Passive Foreign Investment Company

The Code provides special, generally adverse, rules regarding certain distributions received by U.S. holders with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock of a PFIC. A foreign corporation will be treated as a PFIC for any taxable year if at least 75% of its gross income for the taxable year is passive income or at least 50% of its gross assets during the taxable year, based on a quarterly average and generally by value, produce or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions and gains from assets that produce passive income. In determining whether a foreign corporation is a PFIC, a pro-rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Based on our business results for the last fiscal year and composition of our assets, we do not believe that we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2017. Similarly, based on our business projections and the anticipated composition of our assets for the current and future years, we do not expect that we will be a PFIC for the taxable year ending December 31, 2018. However, a separate determination is required after the close of each taxable year as to whether we are a PFIC. If our actual business results do not match our projections, it is possible that we may become a PFIC in the current or any future taxable year.

If we are a PFIC for any taxable year during which a U.S. holder holds ordinary shares or ADSs, any “excess distribution” that the holder receives and any gain realized from a sale or other disposition (including a pledge) of such ordinary shares or ADSs will be subject to special tax rules, unless the holder makes a mark-to-market election or qualified electing fund election, as discussed below. Any distribution in a taxable year that is greater than 125% of the average annual distribution received by a U.S. holder during the shorter of the three preceding taxable years or such holder's holding period for the ordinary shares or ADSs will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. holder's holding period for the ordinary shares or ADSs;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to income tax at the highest rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating loss, and gains (but not losses) realized on the transfer of the ordinary shares or ADSs cannot be treated as capital gains, even if the ordinary shares or ADSs are held as capital assets. In addition, non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends that we pay if we are a PFIC for either the taxable year in which the dividend is paid or the preceding year. Furthermore, unless otherwise provided by the U.S. Treasury Department, each U.S. holder of a PFIC is required to file an annual report containing such information as the U.S. Treasury Department may require.

If we are a PFIC for any taxable year during which any of our non-U.S. subsidiaries is also a PFIC, a U.S. holder of ordinary shares or ADSs during such year would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules to such subsidiary. You should consult your tax advisor regarding the tax consequences if the PFIC rules apply to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. A class of stock is “regularly traded” on an exchange or market for any calendar year during which that class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Under current law, the mark-to-market election may be available to U.S. holders of ordinary shares and ADSs because the ordinary shares and ADSs are listed on the ASX and Nasdaq, respectively, both of which constitute a qualified exchange. There can be no assurance, however, that the ordinary shares or ADSs will be “regularly traded” for purposes of the mark-to-market election.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ordinary shares or ADSs at the end of your taxable year over your adjusted tax basis in the ordinary shares or ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ordinary shares or ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ordinary shares or ADSs will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in the ordinary shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares or ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances. Any distributions we make would generally be subject to the rules discussed above under “—*Taxation of Dividends*,” except the reduced rates of taxation on any dividends received from us would not apply.

Alternatively, you can sometimes avoid the PFIC rules described above by electing to treat us as a “qualified electing fund” under Section 1295 of the Code. However, this option likely will not be available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

U.S. holders are urged to contact their own tax advisor regarding the determination of whether we are a PFIC and the tax consequences of such status.

Medicare Tax

A U.S. holder, which is an individual, an estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax (the “Medicare Tax”) on the lesser of (i) the U.S. holder’s “net investment income” for the relevant taxable year and (ii) the excess of the U.S. holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US\$125,000 and US\$250,000, depending on the individual’s circumstances). A U.S. holder’s net investment income will generally

include dividends received on the ordinary shares or ADSs and net gains from the disposition of ordinary shares or ADSs, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. holder that is an individual, estate or trust should consult the holder's tax advisor regarding the applicability of the Medicare Tax to the holder's dividend income and gains in respect of the holder's investment in the ordinary shares or ADSs.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements may apply to payments to non-corporate holders of ordinary shares or ADSs. Information reporting will apply to payments of dividends on, and to proceeds from the disposition of, ordinary shares or ADSs by a paying agent within the United States to a U.S. holder, other than an "exempt recipient," including a corporation and certain other persons that, when required, demonstrate their exempt status. A paying agent within the United States will be required to withhold at the applicable statutory rate, in respect of any payments of dividends on, and the proceeds from the disposition of, ordinary shares or ADSs within the United States to a U.S. holder, other than an "exempt recipient," if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with applicable backup withholding requirements. U.S. holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Amounts withheld as a result of backup withholding may be credited against a U.S. holder's U.S. federal income tax liability. A U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS in a timely manner and furnishing any required information.

Under the Hiring Incentives to Restore Employment Act of 2010 and associated Treasury Regulations, certain U.S. holders may be required to report information with respect to such holder's interest in "specified foreign financial assets" (as defined in Section 6038D of the Code), including stock of a non-U.S. corporation that is not held in an account maintained by a U.S. "financial institution," if the aggregate value of all such assets exceeds US\$50,000 on the last day of the taxable year or US\$75,000 at any time during such year. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties. U.S. holders are urged to consult their own tax advisors regarding foreign financial asset reporting obligations and their possible application to the holding of ordinary shares or ADSs.

The discussion above is not intended to constitute a complete analysis of all U.S. federal or other tax considerations applicable to an investment in ordinary shares or ADSs. You should consult with your own tax advisor concerning the tax consequences to you in your particular situation.

Australian Tax Considerations

In this section, we discuss the material Australian income tax, stamp duty and goods and services tax considerations related to the acquisition, ownership and disposal by the absolute beneficial owners of our ordinary shares or ADSs. This discussion is based upon existing Australian tax law as of the date of this annual report, which is subject to change, possibly retrospectively. This discussion does not address all aspects of Australian tax law which may be important to particular investors in light of their individual investment circumstances, such as shares or ADSs held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than stamp duty and goods and services tax.

Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the acquisition, ownership and disposition of our shares or ADSs. As used in this summary a "Non-Australian Shareholder" is a holder that is not an Australian tax resident and is not carrying on business in Australia through a permanent establishment.

Nature of ADSs for Australian Taxation Purposes

Ordinary shares represented by ADSs held by a U.S. holder will be treated for Australian taxation purposes as held under a “bare trust” for such holder. Consequently, the underlying ordinary shares will be regarded as owned by the ADS holder for Australian income tax and capital gains tax purposes. Dividends paid on the underlying ordinary shares will also be treated as dividends paid to the ADS holder, as the person beneficially entitled to those dividends. Therefore, in the following analysis we discuss the tax consequences to Non-Australian Shareholders of ordinary shares for Australian taxation purposes. We note that the holder of an ADS will be treated for Australian tax purposes as the owner of the underlying ordinary shares that are represented by such ADSs.

Taxation of Dividends

Australia operates a dividend imputation system under which dividends may be declared to be “franked” to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. An exemption for dividend withholding tax can also apply to unfranked dividends that are declared to be conduit foreign income (“CFI”), and paid to Non-Australian Shareholders. Dividend withholding tax will be imposed at 30%, unless a shareholder is a resident of a country with which Australia has a double taxation agreement and qualifies for the benefits of the treaty. Under the provisions of the current Double Taxation Convention between Australia and the United States, the Australian tax withheld on unfranked dividends that are not declared to be CFI paid by us to a resident of the United States which is beneficially entitled to that dividend is limited to 15% where that resident is a qualified person for the purposes of the Double Taxation Convention between Australia and the United States.

If a Non-Australian Shareholder is a company and owns a 10% or more interest, the Australian tax withheld on dividends paid by us to which a resident of the United States is beneficially entitled is limited to 5%. In limited circumstances the rate of withholding can be reduced to zero.

Tax on Sales or other Dispositions of Shares—Capital gains tax

Non-Australian Shareholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of our ordinary shares, unless they, together with associates, hold 10% or more of our issued capital, at the time of disposal or for 12 months of the last 2 years prior to disposal.

Non-Australian Shareholders who own a 10% or more interest would be subject to Australian capital gains tax if more than 50% of our direct or indirect assets, determined by reference to market value, consists of Australian land, leasehold interests or Australian mining, quarrying or prospecting rights. The Double Taxation Convention between the United States and Australia is unlikely to limit the amount of this taxable gain. Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains.

Tax on Sales or other Dispositions of Shares—Shareholders Holding Shares on Revenue Account

Some Non-Australian Shareholders may hold shares on revenue rather than on capital account for example, share traders. These shareholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian Shareholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5%. Some relief from Australian income tax may be available to Non-Australian Shareholders under the Double Taxation Convention between the United States and Australia.

To the extent an amount would be included in a Non-Australian Shareholder’s assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

Tax on Sales or other Dispositions of Shares—Foreign Resident Capital Gains Withholding Tax

Provided that the sale of shares occur on an approved stock exchange such as Nasdaq or the ASX, Non-Australian Shareholder should not be subject to foreign resident capital gains withholding tax in Australia.

Dual Residency

If a shareholder were a resident of both Australia and the United States under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the United States and Australia, the Australian tax would be subject to limitation by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

Stamp Duty

No stamp duty is payable by Australian residents or foreign residents on the issue and trading of shares that are quoted on Nasdaq or the ASX at all relevant times and the shares do not represent 90% or more of all issued shares in Sundance.

Australian Death Duty

Australia does not have estate or death duties. As a general rule, no capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries may, however, give rise to a capital gains tax liability if the gain falls within the scope of Australia's jurisdiction to tax (as discussed above).

Goods and Services Tax

The issue or transfer of shares to a non-Australian resident investor will not incur Australian goods and services tax.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Inspection of our records is governed by the Corporations Act. Any member of the public has the right to inspect or obtain copies of our registers on the payment of a prescribed fee. Shareholders are not required to pay a fee for inspection of our registers or minute books of the meetings of shareholders. Other corporate records, including minutes of directors' meetings, financial records and other documents, are not open for inspection by shareholders. Where a shareholder is acting in good faith and an inspection is deemed to be made for a proper purpose, a shareholder may apply to the court to make an order for inspection of our books.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic

filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We are subject to the informational requirements of the ASX. Our public filings with the ASX are electronically available from the ASX website (www.asx.com.au).

We will also furnish The Bank of New York Mellon, the depositary of our ADSs, with all notices of shareholder meetings and other reports and communications that are made generally available to our shareholders. The depositary, to the extent permitted by law, shall arrange for the transmittal to the registered holders of ADRs of all notices, reports and communications, together with the governing instruments affecting our shares and any amendments thereto. Such documents are also available for inspection by registered holders of ADRs at the principal office of the depositary.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of financial market risks including interest rate, commodity prices, foreign exchange and liquidity risk. Our risk management focuses on the volatility of commodity markets and protecting cash flow in the event of declines in commodity pricing. We have historically utilized derivative financial instruments to mitigate the risks associated with certain risk exposures.

See to Note 35 of our financial statements for the year ended December 31, 2017, included under “Item 18 – Financial Statements” for detailed information on our financial risk management, including an interest rate and commodity price risk sensitivity analysis, and summary of outstanding derivative positions as of December 31, 2017.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Holders of our ADSs may have to pay to the depositary, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

Persons depositing or withdrawing ordinary shares or ADS holders must pay the depositary:	For:
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"> • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$.05 (or less) per ADS	<ul style="list-style-type: none"> • Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none"> • Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
\$.05 (or less) per ADS per calendar year	<ul style="list-style-type: none"> • Depositary services
Registration or transfer fees	<ul style="list-style-type: none"> • Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	<ul style="list-style-type: none"> • Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"> • As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"> • As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees.

From time to time, the depositary may make payments to Sundance to reimburse or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the deposit agreement, the depositary may use brokers, dealers or other service providers that are affiliates of the depositary and that may earn or share fees or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

As of December 31, 2017, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2017 to provide reasonable assurance that the information we are required to disclose in the reports we file or submit under the Exchange Act are (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our management assessed the effectiveness of our internal control over financial reporting as of the year ended December 31, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (2013). Based on management's assessment and those criteria, our management believes that we maintained effective internal control over financial reporting as of December 31, 2017.

(c) Attestation Report of the Registered Public Accounting Firm

Not applicable.

(d) *Changes in Internal Control over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Board of Directors has determined that Damien Hannes qualifies as an “audit committee financial expert,” as that term is defined in Item 16A of Form 20-F and is independent. See “Item 6.A—Directors, Senior Management and Employees” for Mr. Hannes’s experience and qualifications.

Item 16B. Code of Ethics

The Company has a Code of Conduct and Ethics which establishes the practices that directors, management and staff must follow in order to comply with the law, meet shareholder expectations, maintain public confidence in Sundance’s integrity, and provide a process for reporting and investigating unethical practices. The Code of Conduct is available in the corporate governance section of Sundance’s website at <http://www.sundanceenergy.net/governance.cfm>.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees for audit services rendered by Deloitte Touche Tohmatsu, our principal external auditor, for the audit and review of financial statements for the years ended December 31, 2017 and 2016, respectively.

	Year Ended December 31,	
	2017	2016
Audit fees	\$ 430,000	\$ 385,000
Audit-related fees (1)	—	—
Tax fees (1)	—	—
Total	<u>\$ 430,000</u>	<u>\$ 385,000</u>

(1) No fees incurred in this category.

Pre-approval policies and procedures

The policy of our Audit Committee is to pre-approve all audit and non-audit services performed by our auditors in order to assure that the provision of such services does not impair the audit firm’s independence. Pre-approved services include audit services, audit-related services, tax services and other services as described above, other than those for de minimus services which are approved by our Audit Committee prior to the completion of the audit. Additional services may be pre-approved by the Audit Committee on an individual basis.

All of the audit fees, audit-related fees and tax fees described in this item have been approved by the Audit Committee.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Refer to "Item 6.C.—Compliance with Nasdaq Rules" regarding the Company's corporate governance practices and the key differences between the ASX listing rules and Nasdaq listing rules as they apply to us.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

Refer to "Item 18 — Financial Statements" below

Item 18. Financial Statements

The financial statements are included as the "F" pages to this annual report.

Item 19. Exhibits

See Exhibit Index.

GLOSSARY OF SELECTED OIL AND NATURAL GAS TERMS

We are in the business of exploring for and producing oil and natural gas. Oil and natural gas exploration is a specialized industry. Many of the terms used to describe our business are unique to the oil and natural gas industry. The following is a description of the meanings of some of the oil and natural gas industry terms used in this document.

Analogous reservoir. Analogous reservoirs, as used in resource assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, analogous reservoir refers to a reservoir that shares all of the following characteristics with the reservoir of interest: (i) the same geological formation (but not necessarily in pressure communication with the reservoir of interest; (ii) the same environment of deposition; (iii) similar geologic structure; and (iv) the same drive mechanism.

Basin. A large natural depression on the earth's surface in which sediments accumulate.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, of oil or other liquid hydrocarbons.

Boe. Barrels of oil equivalent, with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

Boe/d. Barrels of oil equivalent per day.

Btu or British thermal unit. The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Completion. The installation of permanent equipment for the production of oil or natural gas.

Deterministic method. The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering or economic data) in the reserves calculation is used in the reserves estimation procedure.

Developed acreage. The number of acres that are allocated or assignable to productive wells or wells capable of production.

Development costs. Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and natural gas.

Development well. A well drilled within the proved boundaries of an oil or natural gas reservoir with the intention of completing the stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceeds production expenses and taxes.

Economically producible or viable. The term economically producible or economically viable, as it relates to a resource, means a resource that generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and natural gas producing activities.

Estimated ultimate recovery or EUR. Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

Exploitation. Optimizing oil and natural gas production from producing properties or establishing additional reserves in producing areas through additional drilling or the application of new technology.

Exploratory well. A well drilled to find and produce oil or natural gas reserves not classified as proved, to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir or to extend a known reservoir.

Field. An area consisting of either a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Held-by-production acreage. Acreage covered by a mineral lease that perpetuates a company's right to operate a property as long as the property produces a minimum paying quantity of oil or gas.

Horizontal well. A well in which a portion of the well has been drilled horizontally within a productive or potentially productive formation. This operation usually results in the ability of the well to produce higher volumes than a vertical well drilled in the same formation.

Hydraulic fracturing or fracking. The technique of improving a well's production or injection rates by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to keep the channel open, so that fluids or natural gases may more easily flow through the formation.

Injection. A well which is used to place liquids or natural gases into the producing zone during secondary/tertiary recovery operations to assist in maintaining reservoir pressure and enhancing recoveries from the field.

MBoe. Thousand barrels of oil equivalent with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

MMBoe. Million barrels of oil equivalent with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

Mcf. Thousand cubic feet of natural gas.

MMBtu. Million British Thermal Units.

Natural gas liquids or NGLs. Hydrocarbons found in natural gas which may be extracted as liquefied petroleum gas and natural gasoline.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or wells, as the case may be. An owner who has 50% interest in 100 acres owns 50 net acres.

NYMEX. New York Mercantile Exchange.

Possible Reserves. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed proved plus probable plus possible reserves estimates.

Probable Reserves. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered. When deterministic

methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

Probabilistic method. The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

Productive well. A well that is producing or is capable of production, including natural gas wells awaiting pipeline connections to commence deliveries and oil wells awaiting connection to production facilities.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Proved oil and natural gas reserves or Proved reserves. Proved oil and natural gas reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for estimation. The project to extract the hydrocarbons must have commenced, or the operator must be reasonably certain that it will commence the project, within a reasonable time.

The area of the reservoir considered as proved includes all of the following: (i) the area identified by drilling and limited by fluid contacts, if any; and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil and natural gas on the basis of available geoscience and engineering data.

In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establish a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

Reserves that can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities.

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the 12-month first day of the month historical average price during the twelve-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Proved undeveloped reserves or PUD. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the

specific circumstances justify a longer time. Under no circumstances shall estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

Reasonable certainty. If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical and geochemical), engineering and economic data are made to estimated ultimate recovery with time, reasonably certain estimated ultimate recovery is much more likely to increase or remain constant than to decrease.

Reliable technology. Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

Reserves. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market and all permits and financing required to implement the project.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Resource play. These plays develop over long periods of time, well-by-well, in large-scale operations. They typically have lower than average long-term decline rates and lower geological and commercial development risk than conventional plays. Unlike most conventional exploration and development, resource plays are relatively predictable in timing, costs, production rates and reserve additions which can provide steady long-term reserves and production growth.

Resources. Resources are quantities of oil and natural gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable and another portion may be considered unrecoverable. Resources include both discovered and undiscovered accumulations.

Stratigraphic horizon. A sealed geologic container capable of retaining hydrocarbons that was formed by changes in rock type or pinch-outs, unconformities, or sedimentary features such as reefs.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or natural gas regardless of whether or not such acreage contains proved reserves.

Undeveloped oil and natural gas reserves or Undeveloped reserves. Undeveloped oil and natural gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time. Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

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Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production.

Workover. The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Sundance Energy Australia Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Sundance Energy Australia Limited and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of profit or loss and other comprehensive income (loss), changes in equity, and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE TOUCHE TOHMATSU

Sydney, Australia

April 30, 2018

We have served as the Company's auditor since 2016.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Sundance Energy Australia Limited

We have audited the accompanying consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of Sundance Energy Australia Limited for the year ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of Sundance Energy Australia Limited's operations and its cash flows for the year ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young

Ernst & Young
200 George Street
Sydney NSW 2000
Australia

May 2, 2016, except as to Note 7, which is as of February 24, 2017

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)

For the year ended 31 December	Note	2017 US\$'000	2016 US\$'000	2015 US\$'000
Oil and natural gas revenue	4	\$ 104,399	\$ 66,609	\$ 92,191
Lease operating expenses	5	(22,416)	(12,937)	(18,455)
Production taxes		(6,613)	(4,200)	(6,043)
General and administrative expense	6	(18,345)	(12,110)	(17,176)
Depreciation and amortisation expense	17, 20	(58,361)	(48,147)	(94,584)
Impairment expense	19	(5,583)	(10,203)	(321,918)
Exploration expense		—	(30)	(7,925)
Finance costs, net of amounts capitalized		(13,491)	(12,219)	(9,418)
Loss on debt extinguishment		—	—	(1,451)
Loss on sale of non-current assets	3	(1,461)	—	790
Loss on derivative financial instruments		(2,894)	(12,761)	15,256
Other income, net	8	457	2,009	(2,240)
Loss before income tax		(24,308)	(43,989)	(370,973)
Income tax benefit (expense)	7	1,873	(1,705)	107,138
Loss attributable to owners of the Company		(22,435)	(45,694)	(263,835)
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations (no income tax effect)		708	(532)	(478)
Other comprehensive loss		708	(532)	(478)
Total comprehensive loss attributable to owners of the Company		\$ (21,727)	\$ (46,226)	\$ (264,313)
Loss per share		(cents)	(cents)	(cents)
Basic earnings	11	(1.8)	(5.2)	(47.7)
Diluted earnings	11	(1.8)	(5.2)	(47.7)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the year ended December 31	Note	2017 US\$'000	2016 US\$'000
CURRENT ASSETS			
Cash and cash equivalents		\$ 5,761	\$ 17,463
Trade and other receivables	12	3,966	9,786
Derivative financial instruments	13	383	—
Income tax receivable		40	5,204
Other current assets	16	3,472	4,078
Assets held for sale	14	61,064	18,309
TOTAL CURRENT ASSETS		74,686	54,840
NON-CURRENT ASSETS			
Development and production assets	17	338,796	338,709
Exploration and evaluation expenditure	18	34,979	34,366
Property and equipment	20	1,246	1,211
Income tax receivable, non-current	7	4,688	—
Derivative financial instruments	13	223	279
Deferred tax assets	26	—	2,683
TOTAL NON-CURRENT ASSETS		379,932	377,248
TOTAL ASSETS		\$ 454,618	\$ 432,088
CURRENT LIABILITIES			
Trade and other payables	21	\$ 9,051	\$ 3,579
Accrued expenses	21	39,051	19,995
Production prepayment	22	18,194	—
Derivative financial instruments	13	5,618	4,579
Provisions, current	23	1,158	2,726
Liabilities related to assets held for sale	14	1,064	941
TOTAL CURRENT LIABILITIES		74,136	31,820
NON-CURRENT LIABILITIES			
Credit facilities, net of deferred financing fees	24	189,310	188,249
Restoration provision	25	7,567	7,072
Other provisions, non-current	23	2,158	3,299
Derivative financial instruments	13	3,728	3,215
Other non-current liabilities		368	610
TOTAL NON-CURRENT LIABILITIES		203,131	202,445
TOTAL LIABILITIES		\$ 277,267	\$ 234,265
NET ASSETS		\$ 177,351	\$ 197,823
EQUITY			
Issued capital	27	372,764	373,585
Share-based payments reserve	28	16,250	14,174
Foreign currency translation reserve	28	(1,134)	(1,842)
Accumulated deficit		(210,529)	(188,094)
TOTAL EQUITY		\$ 177,351	\$ 197,823

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued Capital US\$'000	Share- Based Payments Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Accumulated Deficit US\$'000	Total US\$'000
Balance at 31 December 2014	306,853	7,550	(832)	121,435	435,006
Profit attributable to owners of the Company	—	—	—	(263,835)	(263,835)
Other comprehensive loss for the year	—	—	(478)	—	(478)
Total comprehensive loss	—	—	(478)	(263,835)	(264,313)
Shares issued in connection with business combinations	1,576	—	—	—	1,576
Share based compensation value of services	—	4,100	—	—	4,100
Balance at 31 December 2015	308,429	11,650	(1,310)	(142,400)	176,369
Loss attributable to owners of the Company	—	—	—	(45,694)	(45,694)
Other comprehensive loss for the year	—	—	(532)	—	(532)
Total comprehensive loss	—	—	(532)	(45,694)	(46,226)
Shares issued in connection with private placement (Note 27)	67,499	—	—	—	67,499
Cost of capital, net of tax (Note 26)	(2,343)	—	—	—	(2,343)
Share based compensation value of services (Note 33)	—	2,524	—	—	2,524
Balance at 31 December 2016	\$ 373,585	\$ 14,174	\$ (1,842)	\$ (188,094)	\$ 197,823
Loss attributable to owners of the Company	—	—	—	(22,435)	(22,435)
Other comprehensive gain for the year	—	—	708	—	708
Total comprehensive loss	—	—	708	(22,435)	(21,727)
Derecognition of deferred tax asset (Note 7)	(821)	—	—	—	(821)
Share based compensation value of services (Note 33)	—	2,076	—	—	2,076
Balance at 31 December 2017	372,764	16,250	(1,134)	(210,529)	177,351

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 December	Note	2017 US\$'000	2016 US\$'000	2015 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from sales		112,534	64,749	99,423
Payments to suppliers and employees		(40,000)	(32,634)	(49,639)
Settlements of restoration provision		(132)	(110)	(71)
Interest received		—	—	107
Payments for (receipts from) commodity derivative settlements, net		(1,428)	10,630	11,736
Premium payments for commodity derivatives		—	—	(690)
Income taxes received, net		3,999	25	3,603
Other operating activities		(197)	—	—
NET CASH PROVIDED BY OPERATING ACTIVITIES	32	74,776	42,660	64,469
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for development expenditure		(101,043)	(64,130)	(144,316)
Payments for exploration expenditure		(8,351)	(2,852)	(20,339)
Payments for acquisition of oil and gas properties	2	—	(23,506)	(15,023)
Sale of non-current assets	3	15,348	7,141	41
Payments for acquisition related costs		—	—	(578)
Payments for property and equipment		(657)	(295)	(371)
Other investing activities		2,200	3,651	(185)
NET CASH USED IN INVESTING ACTIVITIES		(92,503)	(79,991)	(180,771)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of shares		—	67,499	—
Payments for costs of capital raisings		—	(3,330)	—
Borrowing costs paid, net of capitalized portion		(12,381)	(11,753)	(6,889)
Deferred financing fees capitalized		—	—	(4,708)
Payments for foreign currency derivatives		—	(390)	—
Proceeds from borrowings	22, 24	47,199	—	207,000
Repayments from borrowings	22, 24	(28,755)	(250)	(145,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES		6,063	51,776	50,403
Net increase (decrease) in cash held		(11,664)	14,445	(65,899)
Cash and cash equivalents at beginning of year		17,463	3,468	69,217
Effect of exchange rates on cash		(38)	(450)	150
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,761	17,463	3,468

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

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Sundance Energy Australia Limited (“SEAL”) and its wholly owned subsidiaries, (collectively, the “Company”, “Consolidated Group” or “Group”), for the year ended 31 December 2017 was authorised for issuance in accordance with a resolution of the Board of Directors on 29 March 2018. Refer to Note 36 for listing of the Company’s significant subsidiaries.

The Group is a for-profit entity for the purpose of preparing the financial report. The principal activities of the Group during the financial year are the exploration for, development and production of oil and natural gas in the United States of America, and the continued expansion of its mineral acreage portfolio in the United States of America.

Basis of Preparation

The consolidated financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001.

These consolidated financial statements comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The consolidated financial statements are prepared on a historical basis, except for the revaluation of certain non-current assets and financial instruments, as explained in the accounting policies below. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (US\$’000), except where stated otherwise.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities as at December 31 2017 and 2016, and the results for the years then ended, of Sundance Energy Australia Limited (“SEAL”) and the entities it controls. A controlled entity is any entity over which SEAL is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As at 31 December 2017 and 2016, all of its controlled entities were wholly-owned.

All inter-group balances and transactions between entities in the Group, including any recognised profits or losses, are eliminated on consolidation.

a) Income Tax

The income tax expense for the period comprises current income tax expense and deferred income tax expense.

Current income tax expense charged to the statement of profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period. Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the statement of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset recognised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilized. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Sundance Energy Australia Limited and its wholly-owned Australian controlled entities have implemented the income tax consolidation regime, with Sundance Energy Australia Limited being the head company of the consolidated group. Under this regime the group entities are taxed as a single taxpayer.

In addition to its own current and deferred tax amounts, Sundance Energy Australia Limited, as head company, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

b) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures incurred are accumulated in respect of each identifiable area of interest. These costs are capitalised to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Any such estimates and assumptions may change as new information becomes available. If, after the expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, for example a dry hole, the relevant capitalised amount is written off in the consolidated statement of profit or loss and other comprehensive income in the period in which new information becomes available. The costs of assets constructed within the Group includes the leasehold cost, geological and geophysical costs, and an appropriate proportion of fixed and variable overheads directly attributable to the exploration and acquisition of undeveloped oil and gas properties.

When approval of commercial development of a discovered oil or gas field occurs, the accumulated costs for the relevant area of interest are transferred to development and production assets. The costs of developed and producing assets are amortised over the life of the area according to the rate of depletion of the proved and probable developed reserves. The costs associated with the undeveloped acreage are not subject to depletion.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date to determine whether any impairment indicators exist. Impairment indicators could include i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed, ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned, iii) exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area, or iv) sufficient data exist to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resulting impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income. The estimate of the recoverable amount is made consistent with the methods described under Impairment in (d) below.

c) Development and Production Assets and Property and Equipment

Development and production assets, and property and equipment are carried at cost less, where applicable, any accumulated depreciation, amortisation and impairment losses. The costs of assets constructed within the Group includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads directly attributable to the acquisition or development of oil and gas properties and facilities necessary for the extraction of resources. Repairs and maintenance are charged to the consolidated statement of profit or loss and comprehensive income during the financial period in which they are incurred.

Depreciation and Amortisation Expense

Property and equipment are depreciated on a straight-line basis over their useful lives from the time the asset is held and ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement.

The depreciation rates used for each class of depreciable assets are:

Class of Non-Current	Asset Depreciation	Rate Basis of Depreciation
Property and Equipment	5 – 33 %	Straight Line

The Group uses the units-of-production method to amortise costs carried forward in relation to its development and production assets. For this approach, the calculation is based upon economically recoverable reserves over the life of an asset or group of assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

d) Impairment

The carrying amount of development and production assets and property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

Development and production assets are assessed for impairment on a cash-generating unit basis. A cash-generating unit ("CGU") is the smallest grouping of assets that generates independent cash inflows. Management has assessed its CGUs as being an individual basin, which is the lowest level for which cash inflows are largely independent of those of other assets. Each of the Group's development and production asset CGUs include all of its developed producing properties, shared infrastructure supporting its production and undeveloped acreage that the Group considers technically feasible and commercially viable. An impairment loss is recognized in the consolidated statement of profit and loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis.

The recoverable amount of an asset is the greater of its fair value less costs to sell (“FVLCS”) or its value-in-use (“VIU”). In assessing VIU, an asset’s estimated future cash flows are discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the assets/CGUs. The estimated future cash flows for the VIU calculation are based on estimates, the most significant of which are hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

Estimates of future commodity prices are based on the Group’s best estimates of future market prices with reference to bank price surveys, external market analysts’ forecasts, and forward curves. The discount rates applied to the future forecast cash flows are based on a third party participant’s post-tax weighted average cost of capital, adjusted for the risk profile of the asset.

Under a FVLCS calculation, the Group considers market data related to recent transactions for similar assets. In determining the fair value of the Group’s investment in shale properties, the Group considers a variety of valuation metrics from recent comparable transactions in the market. These metrics include price per flowing barrel of oil equivalent and undeveloped land values per net acre held.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

An impairment loss is reversed if there has been an increase in the estimated recoverable amount of a previously impaired assets. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or depletion if no impairment loss had been recognized. The Company has not reversed an impairment loss during the years ended 31 December 2017, 2016 and 2015.

If an entire CGU is disposed, gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss. If a disposition is less than an entire CGU and the property had been previously subjected to amortization or impairment at the CGU level, and there would be no significant impact to the Company’s depletion rate, no gain or loss is recognized and the proceeds of the sale are treated as a cost reduction to the Company’s net book value of the CGU in which the assets were previously included.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at date of inception. The arrangement is assessed to determine whether its fulfillment is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership to the entities in the Group. All other leases are classified as operating leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Assets under financing leases are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derivative Financial Instruments

The Group uses derivative financial instruments to economically hedge its exposure to changes in commodity prices arising in the normal course of business. The principal derivatives that may be used are commodity crude oil or natural gas price swap, option and costless collar contracts. Their use is subject to policies and procedures as approved by the Board of Directors. The Group does not trade in derivative financial instruments for speculative purposes.

Derivative financial instruments, which do not qualify as “own-use”, are initially recognised at fair value and remeasured at each reporting period. The fair value of these derivative financial instruments is the estimated amount that the Group would receive or pay to terminate the contracts at the reporting date, taking into account current market prices and the current creditworthiness of the contract counterparties. The derivatives are valued on a mark to market valuation and the gain or loss on re-measurement to fair value is recognised through the statement of profit or loss and other comprehensive income.

The Company has designated one oil marketing contract that meets the definition of a derivative as own-use, which under IFRS is not accounted for as a derivative. As a result, the revenues associated with such contract are recognized during the period when volumes are physically delivered.

i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are acquired principally for the purpose of selling in the near-term. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised when the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g) Foreign Currency Transactions and Balances

Functional and Presentation Currency

Both the functional currency and the presentation currency of the Group is US dollars. Some subsidiaries have Australian dollar functional currencies which are translated to the presentation currency. All operations of the Group are incurred at subsidiaries where the functional currency is the US dollar as its core oil and gas properties are located in the United States.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of profit or loss and other comprehensive income.

Group Companies

The financial results and position of foreign subsidiaries whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- revenues and expenses are translated to USD using the exchange rate at the date of transaction; and
- retained profits and issued capital are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve. These differences are recognised in the statement of profit or loss and other comprehensive income upon disposal of the foreign operation.

h) Employee Benefits

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Equity - Settled Compensation

The Group has an incentive compensation plan where employees may be issued shares and/or options. The fair value of the equity to which employees become entitled is measured at grant date and recognized as an expense over the vesting period with a corresponding increase in equity.

The group has a restricted share unit ("RSU") plan to motivate management and employees to make decisions benefiting long-term value creation, retain management and employees and reward the achievement of the Group's long-term goals. The target RSUs are generally based on goals established by the Remuneration and Nominations Committee and approved by the Board. The fair value of time-based RSUs is determined based on the price of the Company's ordinary shares on the date of grant and the expense is recognized over the vesting period. Certain of its RSUs vest based on the achievement of metrics related to the Company's 3-year absolute shareholder return or total shareholder return as compared to its peer group, as defined. The Company uses a Monte Carlo simulation model to determine the fair value of such RSUs and the expense is recognized over the vesting period. The Monte Carlo model is based on random projections of stock price paths and must be repeated numerous times to achieve a probabilistic assessment. The

expected volatility used in the model is based on the historical volatility commensurate with the length of the performance period of the award. The risk-free rate used in the model is based on Australian Treasury bond relevant to the term of the RSU award.

Deferred Cash Compensation

In 2016 and 2017, the Group granted deferred cash compensation awards to certain employees, which may be earned through appreciation in the volume weighted average price of the Company's ordinary shares over periods of one to three years. The awards may ultimately be settled in cash or fully vested RSUs at the discretion of the Board. The Group recognizes general and administrative expense for the deferred cash compensation to the extent to which the employees have rendered services, with a corresponding liability included within other noncurrent liabilities on the consolidated statement of financial position. The fair value of the deferred cash awards are estimated initially and at the end of each reporting period until settled, using a Monte Carlo model that takes into consideration the terms and conditions of the award. The expected volatility used in the model is based on the historical volatility commensurate with the length of the performance period of the award. The risk-free rate used in the model is based on U.S. Treasury bond relevant to the term of the award.

i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. As of 31 December 2017, the Company had recognized a provisions related to a third-party refracturing agreement (\$3.3 million).

j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

k) Revenue

Revenue from the sale of oil and natural gas is recognised upon the delivery of product to the purchaser and title transfers to the purchaser. The Company uses the sales method of accounting for natural gas imbalances in those circumstances where it has under-produced or over-produced its ownership percentage in a property. Under this method, a receivable or payable is recognized only to the extent an imbalance cannot be recouped from the reserves in the underlying properties. The Company had not recognized an imbalance on the consolidated statement of financial position as at 31 December 2017 and 2016.

All revenue is stated net of royalties and transportation costs.

l) Borrowing Costs

Borrowing costs, including interest, directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated as amortised cost with any difference between cost and redemption being recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings on an effective interest basis. The Company capitalised eligible borrowing costs of \$1.4 million and \$1.1 million for the years ended 31 December 2017 and 2016, respectively. All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

m) Goods and Services Tax

Expenses and assets are recognised net of the amount of Goods and Service Tax (“GST”), except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

n) Business Combinations

A business combination is a transaction in which an acquirer obtains control of one or more businesses. The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The acquisition method is only applied to a business combination when control over the business is obtained. Subsequent changes in interests in a business where control already exists are accounted for as transactions between owners. The cost of the business combination is measured at fair value of the assets given, shares issued and liabilities incurred or assumed at the date of acquisition. Costs directly attributable to the business combination are expensed as incurred, except those directly and incrementally attributable to equity issuance.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable asset acquired, if any, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the consolidated statement of profit or loss and other comprehensive income as a gain on bargain purchase. Adjustments to the purchase price and excess on consideration transferred may be made up to one year from the acquisition date.

o) Assets Held for Sale

The Company classifies property as held for sale when management commits to a plan to sell the property, the plan has appropriate approvals, the sale of the property is highly probable within the next twelve months, and certain other criteria are met. At such time, the respective assets and liabilities are presented separately on the Company’s consolidated statement of financial position and amortisation is no longer recognized. Assets held for sale are reported at the lower of their carrying amount or their estimated fair value, less the costs to sell the assets. The Company recognizes an impairment loss if the current net book value of the property exceeds its fair value, less selling costs. As at 31 December 2017, based upon the Company’s intent and anticipated ability to sell an interest in these properties, the Company had classified its Dimmit County, Texas properties as held for sale. As at 31 December 2016 the Company had its Mississippian/Woodward properties classified as held for sale.

p) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates of reserve quantities

The estimated quantities of hydrocarbon reserves reported by the Group are integral to the calculation of amortisation (depletion) and to assessments of possible impairment of assets. Estimated reserve quantities are based

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upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. The Company engaged an independent petroleum engineering firm, Ryder Scott Company to prepare its reserve estimates which conform to SEC guidelines. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological and production data are generated during the course of operations.

Impairment of Non-Financial Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows. For development and production assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates. A change in the modeled assumptions in isolation could materially change the recoverable amount. However, due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and therefore, on the extent of impairments under different sets of assumptions in subsequent reporting periods. In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's development and production assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Exploration and Evaluation

The Company's policy for exploration and evaluation is discussed in Note 1 (b). The application of this policy requires the Company to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the consolidated statement of profit or loss and other comprehensive income.

Restoration Provision

A provision for rehabilitation and restoration is provided by the Group to meet all future obligations for the restoration and rehabilitation of oil and gas producing areas when oil and gas reserves are exhausted and the oil and gas fields are abandoned. Restoration liabilities are discounted to present value and capitalised as a component part of capitalised development expenditure. The capitalised costs are amortised over the units of production and the provision is revised at each balance sheet date through the consolidated statement of profit or loss and other comprehensive income as the discounting of the liability unwinds.

In most instances, the removal of the assets associated with these oil and gas producing areas will occur many years in the future. The estimate of future removal costs therefore requires management to make significant judgements regarding removal date or well lives, the extent of restoration activities required, discount and inflation rates.

Units of Production Depletion

Development and production assets are depleted using the units of production method over economically recoverable reserves. This results in a depletion or amortisation charge proportional to the depletion of the anticipated remaining production from the area of interest.

The life of each item has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depletion or amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on total economically recoverable reserves, or future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to change in the factors or assumptions used in estimating reserves, including the effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions and unforeseen operational issues. Changes in estimates are accounted for prospectively.

Share-based Compensation

The Group's policy for share-based compensation is discussed in Note 1 (h). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Certain of the Company's restricted share units vest based on the Company's ordinary share price appreciation over a 3- year period in absolute terms or as compared to a defined peer group. Share-based compensation related to these awards use estimates for the expected volatility of the Company's ordinary share price and of its peer's ordinary share price (total shareholder return shares). The Company's deferred cash awards also vest upon the Company's ordinary share price appreciation through 2017, 2018 and 2019. The Company must also estimate expected volatility of the Company's ordinary share price when valuing these awards.

q) Rounding of Amounts

In accordance with the Australian Securities and Investment Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the financial statements have been rounded to the nearest thousand, unless otherwise indicated.

r) Earnings (Loss) Per Share

The group presents basic and diluted earnings (loss) per share for its ordinary shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the dilutive effect, if any, of outstanding share rights and share options which have been issued to employees.

s) New and Revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by IFRS/AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the financial year.

The following Standards and Interpretations have been issued but are not yet effective. These are the standards that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. The Group's assessment of the impact of these new standards, amendments to standards, and interpretations is set out below.

AASB 9/IFRS 9 — Financial Instruments, and the relevant amending standards

AASB 9/IFRS 9, approved in December 2015, introduces new requirements for the classification, measurement, and derecognition of financial instruments, including new general hedge accounting requirements. The effective date of this standard is for fiscal years beginning on or after 1 January 2018, with early adoption permitted. The Company adopted the standard on 1 January 2018 and it is not expected to have a material impact on the Group's consolidated financial statements.

AASB 15/IFRS 15 — Revenue from Contracts with Customers

In May 2014, AASB 15/IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Specifically, the standard introduces a 5-step approach to revenue recognition:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contracts.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Under AASB 15/IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The standard is required to be adopted using either the full retrospective approach, with all the prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. The new revenue recognition standard is effective for the Company on 1 January 2018, and was adopted on that date using the modified retrospective method. The Company has completed the assessment of its contracts with customers and is in the process of implementing the changes to its financial statements, accounting policies and internal controls as a result of the adoption of this standard.

Based upon the analysis performed to date on its contracts with customers, the Company does not expect the adoption of IFRS 15 to have a material effect on net income, cash flows, or the timing of revenue recognition. In addition, the Company is continuing to assess the additional disclosures that will be required upon implementation of the standard.

AASB 16/IFRS 16 — Leases

In January 2016, AASB 16/IFRS 16 was issued which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessees and lessors. AASB 16/IFRS 16 changes the current accounting for leases to eliminate the operating/finance lease designation and require entities to recognize most leases on the statement of financial position, initially recorded at the fair value of unavoidable lease payments. The entity will then recognize depreciation of the lease assets and interest on the statement of profit or loss.

The effective date of this standard is for fiscal years beginning on or after 1 January 2019. As of 31 December 2017, the Company had approximately \$2.4 million of contractual obligations related to its non-cancelable leases, and it will evaluate those contracts as well as other existing arrangements to determine if they qualify for lease accounting under AASB 16/IFRS 16. The Company plans to adopt the standard effective 1 January 2019.

NOTE 2 — BUSINESS COMBINATIONS

Acquisitions in 2017

The Company did not complete any business combinations in 2017.

Acquisitions in 2016**Acquisition #1**

On 29 July 2016, the Company completed its acquisition of 5,050 net acres targeting the Eagle Ford in McMullen County, Texas, for a cash purchase price of \$15.9 million. The assets acquired included approximately 26 gross (9.1 net) producing wells, which were primarily Sundance-operated prior to the acquisition. The Company acquired the assets to execute on its strategy of growing its Eagle Ford position.

The following table reflects the fair value of the assets acquired and the liabilities assumed as at the date of acquisition (in thousands):

<i>Fair value of assets acquired:</i>	
Development and production assets	\$ 16,628
<i>Fair value of liabilities assumed:</i>	
Restoration provision	(747)
Net assets acquired	<u>\$ 15,881</u>
<i>Purchase price:</i>	
Cash consideration	\$ 15,881
Total consideration paid	<u>\$ 15,881</u>

Revenues of \$2.4 million and net income of \$0.4 million (excluding the impact of income taxes) were generated from the acquired properties from 29 July 2016 through 31 December 2016. The Company did not incur any material acquisition costs related to the transaction.

Acquisition #2

On 19 December 2016, the Company completed its acquisition of additional working interest in 23 gross (1.5 net) producing wells and 130 acres in McMullen County for cash consideration of \$7.2 million. 12 gross (1.0 net) of the acquired wells are Sundance operated. The Company acquired the assets to execute on its strategy of growing its Eagle Ford position.

The following table reflects the fair value of the assets acquired and the liabilities as at the date of acquisition (in thousands):

<i>Fair value of assets acquired:</i>	
Development and production assets	7,348
<i>Fair value of liabilities assumed:</i>	
Restoration provision	(118)
Net assets acquired	<u>\$ 7,230</u>
<i>Purchase price:</i>	
Cash consideration	\$ 7,230
Total consideration paid	<u>\$ 7,230</u>

Subsequent to the acquisition on 19 December 2016, revenue and net income generated from the properties for the remainder of 2016 were not material. The Company did not incur any material acquisition costs related to the transaction.

If both Eagle Ford acquisitions had been completed as of 1 January 2016, the Company's pro forma revenue and loss before income taxes for the year ended 31 December 2016 would have been increased and reduced by \$5.3 million and \$1.2 million to \$72.0 million and \$(42.8) million, respectively. This pro forma financial information does

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not purport to represent what the actual results of operations would have been had the transactions been completed as of the date assumed, nor is this information necessarily indicative of future consolidated results of operations.

Acquisitions in 2015

In August 2015, the Company completed its acquisition of New Standard Energy Ltd's ("NSE") U.S. (Eagle Ford) and Cooper Basin (Australia PEL570) assets for an aggregate purchase price of \$16.4 million. The Eagle Ford assets acquired included approximately 5,500 net acres in Atascosa County, 7 gross producing wells and 2 wells that had been drilled, but not yet completed (one of which was subsequently completed by the Company). The Cooper Basin asset acquired included a 17.5% working interest in the Petroleum Exploration License (PEL) 570 concession, with drilling commitments of up to approximately AUD\$10.6 million.

Consideration paid for the assets included payment of \$15.0 million to repay NSE's outstanding debt and the issuance of 6 million fully paid ordinary Company shares, offset by acquired cash of \$0.2 million. Approximately 1.5 million of the 6 million Company shares were held in escrow and are expected to be returned to the Company in 2017 in satisfaction of certain unresolved working capital adjustments and were not valued as part of consideration paid.

NOTE 3 — DISPOSALS OF NON CURRENT ASSETS**Disposals in 2017**

In May 2017, the Company completed the sale of its interest in its Oklahoma oil and gas properties and certain other related assets and liabilities for a cash purchase price of \$18.5 million, before closing adjustments. The sale was effective 1 August 2016 and resulted in a pre-tax loss of \$1.3 million. As part of the sale, the purchaser also assumed the Company's restoration obligations associated with the properties of \$0.9 million. The Oklahoma properties generated revenue, net of production taxes and operating expenses, of \$1.4 million in 2017 prior to completion of the sale.

Disposals in 2016

In December 2016, the Company divested an acreage block containing 3,336 gross (2,709 net) acres located in Atascosa County, Texas. The Eagle Ford acreage was undeveloped and outside the Company's core development project area. Sundance received cash proceeds of \$7.1 million for the acreage. No gain or loss was recognized in consolidated statement of profit and loss and other comprehensive income related to the sale.

Disposals in 2015

There were no material disposals of non current assets during the year ended 31 December 2015.

NOTE 4 — REVENUE

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Oil revenue	89,136	57,296	82,949
Natural gas revenue	8,743	4,937	4,720
Natural gas liquid ("NGL") revenue	6,520	4,376	4,522
Total revenue	<u>104,399</u>	<u>66,609</u>	<u>92,191</u>

NOTE 5 — LEASE OPERATING EXPENSES

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Lease operating expense	(17,127)	(11,259)	(16,667)
Workover expense	(5,289)	(1,678)	(1,788)
Total lease operating expense	(22,416)	(12,937)	(18,455)

NOTE 6 — GENERAL AND ADMINISTRATIVE EXPENSES

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Employee benefits expense, including salaries and wages, net of capitalised overhead	(4,088)	(3,260)	(4,849)
Share-based payments expense (1)	(1,868)	(2,748)	(4,100)
Legal and other professional fees	(6,330)	(2,085)	(3,347)
Corporate fees	(1,937)	(1,762)	(1,986)
Rent	(632)	(669)	(993)
Regulatory expenses	(314)	(279)	(203)
Transaction related costs	(2,118)	(323)	(540)
Other expenses	(1,058)	(984)	(1,158)
Total general and administrative expenses	(18,345)	(12,110)	(17,176)

(1) Share based payment expense includes expense associated with restricted share units and deferred cash awards. See Note 33.

The Company capitalised overhead costs, including salaries, wages benefits and consulting fees, directly attributable to the exploration, acquisition and development of oil and gas properties of \$2.7 million, \$2.1 million and \$3.0 million for the years ended 31 December 2017, 2016 and 2015 respectively.

NOTE 7 — INCOME TAX EXPENSE

The Company assesses unrecognized deferred tax assets at the end of each reporting period. During the year ended 31 December 2017, it became probable that the Company would not have sufficient future taxable profit in the Australian jurisdiction to continue to recognize its deferred tax assets. Consequently, the Company has derecognized these assets during the period. The net impact of derecognizing these items resulted in income tax expense of \$7.1 million with income tax expense of \$0.2 million charged directly to equity.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cut and Jobs Act of 2017 ("TCJA"). The passage of this legislation resulted in the change in the U.S. statutory rate from 35% to 21% beginning in January of 2018, the elimination of the corporate alternative minimum tax ("AMT"), the acceleration of depreciation for US tax purposes, limitations on deductibility of interest expense, the elimination of net operating loss carrybacks, and limitations on the use of future losses. In accordance with IAS 12 - *Income Taxes*, the impact of a change in tax law is recorded in the period of enactment or substantial enactment. Consequently, the Company has recorded a decrease to its deferred tax assets of \$18.8 million with a corresponding net adjustment to its unrecognized tax assets for the year ended December 31, 2017. In addition to the elimination of the AMT, the TCJA allows for the refund of existing AMT credits beginning in tax years 2018 and continuing through tax year 2021. Consequently, the Company has reclassified its AMT credit of \$4.7 million from an unrecognized tax asset to income tax receivable- noncurrent on the consolidated balance sheet, which will be claimed 50% on the Company's tax filing for 2018, 25% on the filing for 2019, 12.5% on the filing for 2020, and 12.5% on the filing for 2021. This results in a current tax benefit of \$4.7 million.

The Company believes the effects of the change in tax law incorporated herein are substantially complete, but may be adjusted in future periods if additional information is obtained or further clarification or guidance is issued by

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regulatory authorities regarding this application of the law. As a result of other changes introduced by the TCJA, starting with compensation paid in 2018, Section 162(m) will limit us from deducting compensation, including performance-based compensation, in excess of \$1 million paid to anyone who, starting in 2018, serves as the Chief Executive Officer or Chief Financial Officer, or who is among the three most highly compensated executive officers for any fiscal year. The only exception to this rule is for compensation that is paid pursuant to a binding contract in effect on November 2, 2017 that would have otherwise been deductible under the prior Section 162(m) rules. Accordingly, any compensation paid in the future pursuant to new compensation arrangements entered into after November 2, 2017, even if performance-based, will count towards the \$1 million fiscal year deduction limit if paid to a covered executive. Additional information that may affect our income tax accounts and disclosures would include further clarification and guidance on how the Internal Revenue Service will implement tax reform, including guidance with respect to 100% bonus depreciation on self-constructed assets, further clarification and guidance on how state taxing authorities will implement tax reform and the related effect on our state income tax returns, completion of our 2017 tax return filings, and the potential for additional guidance from the IASB related to tax reform.

The following is a summary of 2017, 2016 and 2015 income tax expense (benefit):

Year ended 31 December	2017 US\$'000	2016 US\$'00	2015 US\$'000
a) The components of income tax expense comprise:			
Current tax expense (benefit)	(4,688)	1,563	(6,191)
Deferred tax expense	2,815	142	(100,947)
Total income tax expense (benefit)	<u>(1,873)</u>	<u>1,705</u>	<u>(107,138)</u>
b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:			
Loss before income tax	<u>(24,308)</u>	<u>(43,989)</u>	<u>(370,973)</u>
Prima facie tax expense at the Group's statutory income tax rate of 30%	(7,293)	(13,197)	(111,292)
Increase (decrease) in tax expense resulting from:			
- Change in US Federal tax rate	18,821	—	—
- Difference of tax rate in US controlled entities	(53)	(2,161)	(20,447)
- Impact of direct accounting from US controlled entities (1)	(8)	(98)	(3,165)
- Share-based compensation	781	539	747
- Other allowable items	(83)	314	77
- Refundable AMT Credits	(4,688)	—	—
- Change in apportioned state tax rates in US controlled entities	—	—	(84)
- Change in unrecognized tax assets	9,471	16,308	27,026
- Change in unrecognized tax assets due to Tax Reform	<u>(18,821)</u>	<u>—</u>	<u>—</u>
Total income tax expense (benefit)	<u>(1,873)</u>	<u>1,705</u>	<u>(107,138)</u>
c) Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%	36,672	46,022	29,714
d) Deferred tax charged directly to equity:			
- Equity raising costs	821	(986)	—
- Currency translation adjustment	(952)	73	(362)

(1) The Oklahoma US state tax jurisdiction computes income taxes on a direct accounting basis.

Subsequent to 31 December 2017, the Company consolidated its two U.S. tax entities and will report as a single taxpayer in the U.S.

NOTE 8 — OTHER INCOME (EXPENSE), NET

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Litigation settlements, net (1)	(748)	1,200	—
Insurance proceeds (2)	—	2,375	—
Escrow settlement from prior period property disposition (3)	1,000	—	—
Restructuring expenses (4)	(56)	(856)	—
Loss on foreign currency derivative	—	(390)	—
Write-off of unrecoverable cash call	—	—	(1,621)
Write-down of inventory to lower of cost or market	—	—	(319)
Other	261	(320)	(300)
Total other income, net	457	2,009	(2,240)

- (1) Litigation settlements, net recorded during the year ended 31 December 2017 includes the net impact of multiple favorable and unfavorable legal settlements, including an accrual for \$1.0 million related to the Company's 2013 sale of its non-operated North Dakota properties. In August 2015, the Buyer filed a lawsuit against the Company seeking payment for costs not included by the Buyer in the final post-closing settlement. In August 2017, a jury ruled in favor of the Buyer. The Company is currently appealing the decision, but has established a liability for such damages.

During 2016, the Company was awarded a cash settlement of \$1.2 million from litigation against a third party contractor for damages to a well that occurred in 2014. As part of the litigation settlement, the Company was also awarded \$0.6 million for reimbursement of legal costs incurred (recorded to general and administrative expenses on the consolidated statement of profit or loss).

- (2) During 2016, the Company received insurance proceeds of \$2.4 million related to a well control incident in 2014.
- (3) During 2017, the Company received a cash payout of \$1.0 million from an escrow holding drilling commitment related funds related to properties sold by the Company in 2014. There had previously been uncertainty as to whether the drilling commitments would be met and to whom the funds would be paid to, and was therefore unrecognized in 2014.
- (4) In January 2016, the Company restructured its corporate organization and reduced its headcount by approximately 30% in order to reduce its cash operating costs in response to the lower oil price environment. Restructuring costs for the year ended 31 December 2016 included \$0.4 million in employee severance costs and \$0.5 million in office lease-related costs for certain office space that is expected to be no longer used as a result of office space consolidation. The office-lease-related costs represent the Company's future obligations under the operating leases, net of anticipated sublease income. See also Note 23.

NOTE 9 — KEY MANAGEMENT PERSONNEL COMPENSATION
a) Directors and Key Management Personnel Compensation

The total remuneration paid to Directors and Key Management Personnel (“KMP”) of the Group during the year is as follows:

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Short term wages and benefits	1,444	1,298	1,467
Share-based payments (equity or cash settled) (1)	1,429	2,025	2,271
Post-employment benefit	53	49	52
	<u>2,926</u>	<u>3,372</u>	<u>3,790</u>

- (1) The 2014 short-term incentive bonus (“STI”) granted to KMP, excluding the Managing Director, was granted by the Board of Directors in 2015 and paid out in the form of RSUs, which vested immediately. The associated expense is included in 2015 share-based payments in the table above. The 2014 STI to the Managing Director was approved by shareholders in 2016 and paid out in the form of RSUs with immediate vesting. The associated expense is included in 2016 share based payments in the table above.

b) Restricted Share Units Granted as Compensation

RSUs awarded as compensation were 7,835,513 (\$0.5 million fair value), 9,906,997 (\$1.2 million fair value) and 7,426,596 (\$3.8 million fair value) during the years ended 31 December 2017, 2016 and 2015, respectively, to KMP. The vesting provisions of the RSUs in effect during 2017 and 2016 vary and may vest immediately, based upon the passage of time or based on achievement of metrics related to the Company’s 3-year absolute total shareholder (“ATSR”) or total shareholder return (“TSR”) as compared to its peer group. The details of the plan and TSR RSUs are described in more detail in Part I, Item 6.

c) Deferred Cash Awards as Compensation

Deferred cash awards vest based on the appreciation of the Company’s ordinary share volume weighted average price measured over a one to three year period. The liability and expense associated with such awards is measured at the end of each reporting period. Deferred cash awarded as compensation to KMP was \$1,138,503 and \$1,264,998 during the years ended 31 December 2017 and 2016, of which \$379,501 and \$632,499 was forfeited as the performance metrics associated with these awards were not achieved as at 31 December 2017. The deferred cash award is described in more detail in Part I, Item 6.

NOTE 10 — AUDITORS’ REMUNERATION

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Amounts paid or payable to the auditor for:			
Auditing or review of the financial report (1)	485	461	463
Professional services related to filing of various Forms with the US Securities and Exchange Commission	—	—	13
Taxation services provided by the practice of auditor	—	—	61
Total remuneration of the auditor	<u>485</u>	<u>461</u>	<u>537</u>

- (1) The 2016 amount includes \$0.4 million paid to the Company’s former auditor, Ernst & Young, who provided audit services for the year ended 31 December 2015. The Company paid \$0.1 million in 2016 to Deloitte Touche Tohmatsu Limited as its auditor for the year ended 31 December 2016.

NOTE 11 — EARNINGS (LOSS) PER SHARE (EPS)

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
Loss for periods used to calculate basic and diluted EPS	(22,435)	(45,694)	(263,835)
	Number of shares	Number of shares	Number of shares
a) -Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS(1)	1,251,338,659	870,582,898	552,847,289
b) -Incremental shares related to options and restricted share units(2)	—	—	—
c) -Weighted average number of ordinary shares outstanding during the period used in calculation of diluted EPS	1,251,338,659	870,582,898	552,847,289

(1) Calculation excludes approximately 1.5 million ordinary shares held in escrow as at 31 December 2017, 2016 and 2015. The shares were issued as part of the NSE acquisition in 2015 and are expected to be returned to the Company in satisfaction of certain working capital adjustments.

(2) Incremental shares related to restricted share units were excluded from 31 December 2017, 2016 and 2015 weighted average number of ordinary shares outstanding during the period used in calculation of diluted EPS as the outstanding shares would be anti-dilutive to the loss per share calculation for the period then ended.

Subsequent to 31 December 2017, the Company issued 5,614,447,268 additional ordinary shares in connection with its \$260 million equity-raise, described in Note 37.

NOTE 12 — TRADE AND OTHER RECEIVABLES

Year ended 31 December	2017 US\$'000	2016 US\$'000
Oil, natural gas and NGL sales	2,604	8,201
Joint interest billing receivables	930	1,545
Commodity hedge contract receivables	—	37
Other	432	3
Total trade and other receivables	3,966	9,786

Due to the short-term nature of trade and other receivables, their carrying amounts are assumed to approximate fair value. No material receivables were outside of normal trading terms as at 31 December 2017 and 2016.

NOTE 13 — DERIVATIVE FINANCIAL INSTRUMENTS

Year ended 31 December	2017 US\$'000	2016 US\$'000
FINANCIAL ASSETS:		
<i>Current</i>		
Derivative financial instruments — commodity contracts	383	—
<i>Non-current</i>		
Derivative financial instruments — commodity contracts	223	279
Total financial assets	<u>606</u>	<u>279</u>
FINANCIAL LIABILITIES:		
<i>Current</i>		
Derivative financial instruments — commodity contracts	5,618	4,579
<i>Non-current</i>		
Derivative financial instruments — commodity contracts	3,728	3,215
Total financial liabilities	<u>9,346</u>	<u>7,794</u>

NOTE 14 — ASSETS HELD FOR SALE

The consolidated statement of financial position includes assets and liabilities held for sale, comprised of the following:

Year ended 31 December	2017 US\$'000	2016 US\$'000
Eagle Ford – Dimmit County oil and gas assets	61,064	—
Mississippian/Woodford oil and gas assets	—	18,309
Total assets held for sale	<u>61,064</u>	<u>18,309</u>
Restoration provision associated with held for sale developed assets	1,064	941
Total liabilities related to assets held for sale	<u>1,064</u>	<u>941</u>

In June 2017, the Company committed to a plan to sell its assets located in Dimmit County, Texas. The assets to be sold include developed and production assets and exploration and evaluation expenditures. Sale of the Dimmit assets will provide additional capital for further development of the Company's core McMullen and Atascosa County assets. The Company wrote-down the value of the Dimmit held for sale asset group as at 31 December 2017. See Note 19 for additional information.

The Company's Mississippian/Woodford assets were classified as held for sale as at 31 December 2016. The Company completed the sale of these assets in May 2017. Upon the completion of the sale of the Mississippian/Woodford assets, the Company's lender reaffirmed the Company's borrowing base. See Note 3 for additional information.

NOTE 15 — FAIR VALUE MEASUREMENT

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

Consolidated 31 December 2017					
(US\$'000)					
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Derivative commodity contracts	—	606	—		606
Liabilities measured at fair value					
Derivative commodity contracts	—	(9,346)	—		(9,346)
Net fair value	—	(8,740)	—		(8,740)

Consolidated 31 December 2016					
(US\$'000)					
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Derivative commodity contracts	—	279	—		279
Liabilities measured at fair value					
Derivative commodity contracts	—	(7,794)	—		(7,794)
Net fair value	—	(7,515)	—		(7,515)

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfer into or out of Level 3 fair value measurements.

Measurement of Fair Value

a) Derivatives

The Company's derivative instruments consist of commodity contracts (primarily swaps and collars) and a foreign currency contract. The Company utilises present value techniques and option-pricing models for valuing its derivatives. Inputs to these valuation techniques include published forward prices, volatilities, and credit risk considerations, including the incorporation of published interest rates and credit spreads. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's derivative instruments are included within the Level 2 fair value hierarchy.

b) Credit Facilities

As at 31 December 2017, the Company had \$125 million and \$67 million of principal debt outstanding on its term loan and revolving facility, respectively. The estimated fair value of the Term Loan was approximately \$119 million, based on indirect, observable inputs (Level 2) regarding interest rates available to the Company. The fair value of the term loan was determined by using a discounted cash flow model using a discount rate that reflects the Company's assumed borrowing rate at the end of the reporting period. The Company's revolving facility has a recorded value that approximates its fair value as its variable interest rate is tied to current market rates and the applicable margins of 2%-3% approximate market rates.

c) Other Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable, accrued liabilities and the production prepayment approximate fair value due to their short-term nature.

NOTE 16 — OTHER CURRENT ASSETS

Year ended 31 December	2017 US\$'000	2016 US\$'000
Oil inventory on hand, lesser of cost or net realizable value	908	517
Equipment inventory, lesser of cost or net realizable value	1,479	1,721
Prepaid expenses	915	1,205
Other	170	635
Total other current assets	3,472	4,078

NOTE 17 — DEVELOPMENT AND PRODUCTION ASSETS

Year ended 31 December	2017 US\$'000	2016 US\$'000
Costs carried forward in respect of areas of interest in:		
Development and production assets, at cost:		
Producing assets	778,735	838,792
Wells-in-progress	954	4,997
Undeveloped assets	31,580	30,119
-Development and production assets, at cost:	811,269	873,908
Accumulated depletion	(277,098)	(258,613)
Accumulated impairment	(136,643)	(258,277)
Total development and production expenditure	397,528	357,018
Less amount classified as asset held for sale (1)	(58,732)	(18,309)
Total Development and Production Expenditure, net of assets held for sale	338,796	338,709

a) Movements in carrying amounts:		
Development expenditure		
Balance at the beginning of the period	338,709	250,922
Amounts capitalised during the period	115,120	57,893
Fair value of assets acquired	—	23,873
Revision to restoration provision	1,550	3,238
Depletion expense	(57,851)	(47,490)
Impairment expense	—	(3,409)
Development and production assets sold during the period	—	(5,030)
Reclassifications from assets held for sale (2)	—	77,021
Reclassifications to assets held for sale (1)	(58,732)	(18,309)
Balance at end of period	338,796	338,709

- (1) In 2017, the Company committed to a plan to sell its interests in Dimmit County, Texas. Balance reflects amount transferred to assets held for sale before impairment (see Note 19).
- (2) In 2016, the Company abandoned a plan to sell 25% of its Eagle Ford assets due to a change in its corporate strategy as a result of a capital raise.

Borrowing costs relating to drilling of development wells that have been capitalized as part of oil and gas properties during the years ended 31 December 2017 and 2016 were \$1.4 million and \$1.1 million, respectively. The interest amounts capitalized as a percent of the total interest incurred for years ended 31 December 2017 and 2016 were 10.2% and 6.7%, respectively.

NOTE 18 — EXPLORATION AND EVALUATION EXPENDITURE

Year ended 31 December	2017 US\$'000	2016 US\$'000
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase, at cost	185,819	176,550
Provision for impairment	(143,093)	(142,184)
Total exploration and evaluation expenditures	42,726	34,366
Less amount classified as asset held for sale (1)	(7,747)	—
Total Exploration and Evaluation Expenditure, net of assets held for sale	34,979	34,366
a) Movements in carrying amounts:		
Exploration and evaluation		
Balance at the beginning of the period	34,366	26,323
Amounts capitalised during the period	8,528	4,429
Exploration costs expensed	—	(30)
Exploration tenements sold during the period	—	(2,096)
Impairment expense	(168)	(7,871)
Reclassifications from assets held for sale (2)	—	13,611
Reclassifications to assets held for sale (1)	(7,747)	—
Balance at end of period	34,979	34,366

(1) In 2017, the Company committed to a plan to sell its interests in Dimmit County, Texas. Balance reflects amount transferred to assets held for sale before impairment (see Note 19).

(2) In 2016, the Company abandoned a plan to sell 25% of its Eagle Ford assets due to a change in its corporate strategy as a result of a capital raise.

The ultimate recoupment of costs carried forward for exploration phase is dependent on the successful development and commercial exploitation or sale of respective areas.

NOTE 19 — IMPAIRMENT OF ASSETS

Year-End 2017

Non-current oil and gas assets

At 31 December 2017, the Group reassessed its non-current Eagle Ford assets for indicators of impairment or whether there was any indication that an impairment loss may no longer exist or may have decreased in accordance with the Group's accounting policy. As at 31 December 2017, the Company's market capitalisation was lower than the net book value of the Company's net assets, which is deemed to be an indicator of impairment as described by IAS 36. As a result, the Company believes that under the prescribed accounting guidance there was indication that an impairment may exist related to its development and production assets and performed an impairment analysis. There was no indication of impairment or reversal of impairment related to its evaluation and expenditure assets.

The Company estimated the VIU of the development and production assets using the income approach (Level 3 on fair value hierarchy) based on the estimated discounted future cash flows from the assets. The model took into account management's best estimate for pricing and discount rates, as described below. In addition, the Company considered comparable market transactions to corroborate the estimated fair values.

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Future commodity price assumptions are based on the Group's best estimates of future market prices with reference to bank price surveys, external market analysts' forecasts, and forward curves. Future prices (\$/bbl) used for the 31 December 2017 VIU calculation were as follows:

2018	2019	2020	2021	2022	2023 and thereafter
\$ 60.00	\$ 62.50	\$ 65.00	\$ 67.50	\$ 70.00	\$ 75.00

The pre-tax discount rates that have been applied to the development and production assets were 9.0% and 20.0% for proved developed producing and proved undeveloped properties, respectively.

Management's estimate of the recoverable amount using the VIU model as at 31 December 2017 exceeded the carrying cost of development and production and therefore no impairment was required.

Dimmit County Assets Held For Sale

In accordance with IFRS 5, assets held for sale are to be measured at the lower of FVLCS or the carrying value of the assets. To estimate FVLCS of the Dimmit County held for sale group at 31 December 2017, the Group utilized the income approach (Level 3 on fair value hierarchy) based on the estimated discounted future cash flows from the producing property and related exploration and evaluation assets. The model took into account management's best estimate for pricing (described above) and discount rates, as described below. The Company is marketing the assets using internal personnel and therefore the cost of disposal is not expected to be material.

The post-tax discount rates that have been applied to the Dimmit County held for sale asset group were 9.0% and 20.0% for proved developed producing and proved undeveloped properties, respectively. Management's estimate of post-tax discount rates may be adjusted in the future based on the impact of TCJA, however it is too early for the Company to assess the impact on market participant behavior and assumptions because the enactment occurred near year-end and there have been limited comparable transactions subsequent to enactment. Based on recent comparable market transactions, the Company assigned no value to probable and possible reserves, consistent with the approach management believes a market participant would utilize.

In addition, the Company corroborated the results of its discounted cash flow model with a market approach valuation which took into account market multiples derived from comparable market transactions of similar assets.

The Company's estimated that the FVLCS as at 31 December 2017 was \$61 million, which resulted in impairment expense of \$5.4 million.

Year-End 2016

At 31 December 2016, the Group reassessed the carrying amount of its non-current assets for indicators of impairment or whether there is any indication that an impairment loss may no longer exist or may have decreased in accordance with the Group's accounting policy. The Company determined there was no indication of impairment or impairment reversal for its Eagle Ford assets. The Company determined that there was an indication of impairment for its Mississippian/Woodward and Cooper Basin assets.

Each of the Group's development and production asset CGUs include all of its developed producing properties, shared infrastructure supporting its production and undeveloped acreage that the Group considers technically feasible and commercially viable.

Mississippian/Woodward assets

The Company actively marketed its Mississippian/Woodward assets in the second half of 2016. Based on the value of third-party bids and the execution of a purchase of sale agreement subsequent to 31 December 2016, the

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Company determined that there was an indication of impairment of both its exploration and evaluation assets and development and production assets. The Company recorded an impairment expense of \$4.6 million, which was equal to the difference between the carrying value and the estimated sale proceeds, less selling costs. The Company recognized an additional loss on the sale of \$1.3 million in 2017.

Cooper Basin

The Company has not received operational information indicating that the recovery of the Company's carrying costs in the Cooper Basin is likely. As such, the Company wrote the asset down to nil and recorded an impairment expense of \$6.7 million during the year ended 31 December 2016. The Company continued to incur and impair capital costs related to the Cooper Basin in 2017, totaling \$0.2 million.

Year-End 2015

At 31 December 2015, the Group determined that due to the decline in the oil pricing environment, that there was an indication of impairment for all of its exploration and evaluation expenditures and its development and production assets.

Estimates of recoverable amounts are based on the higher of an asset's value-in-use or fair value less costs to sell (level 3 fair value hierarchy), using a discounted cash flow method, and are most sensitive to the key assumptions such as pricing, discount rates, and reserve risk factors. For its development and production assets, the Group has used the FVLCS calculation whereby future cash flows are based on estimates of hydrocarbon reserves in addition to other relevant factors such as value attributable to additional reserves based on production plans. For its exploration and evaluation expenditures, the Group has used the FVLCS calculation determined by the probability weighted combination of a discounted cash flow method and market transactions for comparable undeveloped acreage.

Estimates of future commodity prices are based on the Group's best estimates of future market prices with reference to bank price surveys, external market analysts' forecasts, and forward curves. Future prices (\$/bbl) used for the 31 December 2015 FVLCS calculation were as follows:

2016		2017		2018		2019 and thereafter	
\$	40.00	\$	50.00	\$	60.00	\$	70.00

As at 31 December 2015, the post-tax discount rate that has been applied to the above non-current assets were 9.0% and 10.0% for proved developed producing and proved undeveloped properties, respectively. As at 31 December 2015, the Group also applied further risk-adjustments appropriate for risks associated with its proved undeveloped reserves using a risk-adjustment rate of 20% based on the risk associated with the undeveloped reserve category.

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Recoverable amounts and resulting impairment expense recognized in conjunction with the Company's impairment analysis as at 31 December 2017, 2016 and 2015 are presented in the table below.

		Recoverable	Impairment
	Carrying costs	amount	(1)
31 December 2017	US\$'000	US\$'000	US\$'000
Cash-generating unit			
Assets held for sale - Dimmit County	66,479	61,064	5,415
31 December 2016			
Cash-generating unit (2)			
Exploration and evaluation expenditures:			
Mississippian/Woodford	1,183	—	1,183
Cooper Basin	6,688	—	6,688
Total exploration and evaluation	7,871	—	7,871
Development and production assets:			
Mississippian/Woodford	21,693	18,309	3,384
Total development and production assets	21,693	18,309	3,384
31 December 2015			
Cash-generating unit			
Exploration and evaluation expenditures:			
Eagle Ford	151,171	33,511	(117,660)
Mississippian/Woodford	5,164	1,190	(3,974)
Cooper Basin	7,436	5,234	(2,202)
Total exploration and evaluation	163,771	39,935	(123,836)
Development and production assets:			
Eagle Ford	431,796	308,083	(123,713)
Mississippian/Woodford	77,940	19,859	(58,081)
Total development and production assets	509,736	327,942	(181,794)

- (1) Total impairment expense for the year ended 31 December 2017 also included \$0.2 million related to additional costs incurred at the Cooper Basin, which was fully impaired in 2016.
- (2) Total impairment expense for the year ended 31 December 2016 was \$11.3 million, which was net of an adjustment to 2015 impairment expense of \$1.1 million related to a vendor discount for well completion services obtained subsequent to the filing of the Company's 2015 annual report. Total impairment expense was \$10.2 million.
- (3) The 31 December 2015 table reflects the year-end impairment analysis. The Company also recorded impairment expense related to its Mississippian/Woodford development and production assets of \$2.6 million and its exploration and evaluation assets of \$13.4 million during the first half of the year ended 31 December 2015.

Any further adverse changes in any of the key assumptions may result in future impairments.

NOTE 20 — PROPERTY AND EQUIPMENT

Year ended 31 December	2017 US\$'000	2016 US\$'000
Property and equipment, at cost	3,628	3,146
Accumulated depreciation	(2,382)	(1,935)
Total Property and Equipment	1,246	1,211
a) Movements in carrying amounts:		
Balance at the beginning of the period	1,211	1,382
Amounts capitalized during the period	659	355
Amounts disposed of during the period	(122)	(151)
Depreciation expense	(502)	(375)
Balance at end of period	1,246	1,211

NOTE 21 — TRADE AND OTHER PAYABLES AND ACCRUED EXPENSES

Year ended 31 December	2017 US\$'000	2016 US\$'000
Oil and natural gas property and operating related	40,001	18,588
Administrative expenses, including salaries and wages	4,494	2,225
Accrued interest payable	3,057	2,761
Commodity derivative contract payables	550	—
Total trade, other payables and accrued expenses	48,102	23,574

NOTE 22 — PRODUCTION PREPAYMENT

On 31 July 2017, the Company entered into an agreement with Vitol Inc. (“Vitol”), the Company’s oil purchaser, to provide a revenue advance to the Company of \$30 million to be repaid through delivery of the Company’s oil production through full repayment of the \$30 million. The advance bears interest at rate of 10% per annum.

The Company began repaying the advance in October 2017 at a rate of \$20 per gross barrel produced by Sundance operated wells through 31 December 2017. The rate of repayment increased to \$25 per gross barrel beginning 1 January 2018 through full repayment. Under the agreement, the Company’s oil production continues to be sold at the prevailing contract rates, with the Company retaining any differential between market and the aforementioned per barrel repayment amount. If the Company has not fully repaid the liability by 31 March 2018, the repayment rate will increase to \$40 per gross barrel produced. The Company expects the repay the liability in full in April 2018 upon completion of the acquisition, equity raise and debt refinancing, described in more detail in Note 39. This agreement provided near-term liquidity to the Company to complete its 2017 development plan. As at 31 December 2017, the balance outstanding under the agreement was \$18.2 million.

NOTE 23 — OTHER PROVISIONS

Year ended 31 December	2017 US\$'000	2016 US\$'000
Balance at the beginning of the period (1)	6,025	—
New provisions	—	6,025
Changes in estimates	(747)	—
Settlements	(1,932)	—
Unwinding of discount	73	—
Reclassification from provisions to accrued liabilities	(103)	—
Balance at end of period (1)	3,316	6,025

(1) As at 31 December 2017 and 2016, \$1.2 million and \$2.8 were classified as current, respectively.

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During 2016, the Company entered into an agreement with Schlumberger Limited (“Schlumberger”) to re-fracture five Eagle Ford wells. Under the terms of the agreement, Schlumberger will be paid for the services, plus a premium (if applicable), from the incremental production generated by the re-fractured wells above the forecasted base production prior to the re-fracture work. The term of the agreement is five years, expiring in 2021. The estimate of the payout amount requires judgements regarding future production, pricing, operating costs and discount rates.

Also during 2016, the Company recognized a provision related to certain office space that was to no longer be used as a result of office space consolidation. The office-lease-related costs represented the Company's estimate of future obligations under the operating leases, net of anticipated sublease income. The Company entered into an agreement to sublease the office space in 2017 and at 31 December 2017, the liability was no longer considered a provision. The remaining liability was reclassified into accrued expenses on the consolidated statement of financial position.

NOTE 24 — CREDIT FACILITIES

	2017 US\$'000	2016 US\$'000
Revolving Facility	67,000	66,750
Term Loan	125,000	125,000
Total Credit Facilities	192,000	191,750
Deferred financing fees, net of accumulated amortisation	(2,690)	(3,501)
Total credit facilities, net of deferred financing fees	189,310	188,249

On May 14, 2015, Sundance Energy Australia Limited and Sundance Energy, Inc. entered into a Credit Agreement (the “Credit Agreement”) with Morgan Stanley Energy Capital, Inc., as administrative agent (“Agent”) and the lenders from time to time party thereto, which provides for a \$300 million senior secured revolving credit facility (the “Revolving Facility”) and a term loan of \$125 million (the “Term Loan”). The Credit Agreement is secured by certain of the Company’s oil and gas properties. The Revolving Facility is subject to a borrowing base, which is redetermined at least semi-annually. The borrowing base was reaffirmed at \$67 million in the fourth quarter of 2017. The Revolving Facility has a five year term (matures in May 2020) and the Term Loan has a 5 ½ year term (matures in November 2020). If upon any downward adjustment of the borrowing base, the outstanding borrowings are in excess of the revised borrowing base, the Company may have to repay its indebtedness in excess of the borrowing base immediately, or in five monthly installments.

Interest on the Revolving Facility accrues at a rate equal to LIBOR, plus a margin ranging from 2% to 3% depending on the level of funds borrowed. Interest on the Term Loan accrues at a rate equal to the greater of (i) LIBOR, plus 7% or (ii) 8%.

The Company is required under our Credit Agreement to maintain the following financial ratios:

- a minimum current ratio, consisting of consolidated current assets including undrawn borrowing capacity to consolidated current liabilities, of not less than 1.0 to 1.0 as of the last day of any fiscal quarter;
- a maximum leverage ratio, consisting of consolidated Revolving Facility Debt to adjusted consolidated EBITDAX (as defined in the Credit Facility), of not greater than 4.0 to 1.0 as of the last day of any fiscal quarter;
- a minimum interest coverage ratio, consisting of EBITDAX to Consolidated Interest Expense (as defined in the Credit Facility), of not less than 2.0 to 1.0 as of the last day of any fiscal quarter; and
- An asset coverage ratio, consisting of PV9% to Total Debt (as defined in the Credit Facility), of not less than 1.50 to 1.0.

As at 31 December 2017, the Company was in compliance with all restrictive financial and other covenants under the Credit Agreement.

The Company refinanced its Credit Facilities in April 2018 upon completion of its acquisition and equity raise described in more detail in Note 39.

NOTE 25 — RESTORATION PROVISION

The restoration provision represents the Company's best estimate of the present value of restoration costs relating to its oil and natural gas interests, which are expected to be incurred through 2047. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. The estimate of future removal costs requires management to make significant judgments regarding removal date or well lives, the extent of restoration activities required, discount and inflation rates. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual restoration costs will reflect market conditions at the relevant time. Furthermore, the timing of restoration is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend on future oil and natural gas prices, which are inherently uncertain.

Year ended 31 December	2017 US\$'000	2016 US\$'000
Balance at the beginning of the period	7,072	3,088
New provisions	938	305
Changes in estimates	663	2,956
Disposals and settlements	(256)	(114)
New provisions assumed from acquisition	—	894
Unwinding of discount	214	140
Reclassification from liabilities related to assets held for sale	—	744
Reclassification to liabilities related to assets held for sale	(1,064)	(941)
Balance at end of period	7,567	7,072

NOTE 26 — DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

Year ended 31 December	2017 US\$'000	2016 US\$'000
Net deferred tax assets:		
Share issuance costs	—	1,534
Net operating loss carried forward	—	2,636
Accrued interest	—	(2,756)
Derivatives	1,884	—
Development and production expenditure	—	1,269
Other	111	—
Total net deferred tax assets	1,995	2,683
Deferred tax liabilities:		
Development and production expenditure	(25,971)	(10,654)
Offset by deferred tax assets with legally enforceable right of set-off:		
Net operating loss carried forward	23,976	7,218
Accrued interest	—	3,436
Total net deferred tax liabilities	(1,995)	—

NOTE 27 — ISSUED CAPITAL

Total ordinary shares issued and outstanding at each period end are fully paid. All shares issued are authorized. Shares have no par value.

	<u>Number of Shares</u>
a) Ordinary Shares	
Total shares issued and outstanding at 31 December 2015	559,103,562
Shares issued during the year (1)	690,248,055
Total shares issued and outstanding at 31 December 2016	1,249,351,617
Shares issued during the year	3,897,911
Total shares issued and outstanding at 31 December 2017	<u>1,253,249,528</u>

(1) Includes 1.5 million shares held in escrow related to the Company's acquisition of NSE.

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

<u>Year ended 31 December</u>	<u>2017</u> <u>US\$'000</u>	<u>2016</u> <u>US\$'000</u>
b) Issued Capital		
Beginning of the period	373,585	308,429
Shares issued in connection with:		
Share consideration paid in business combination	—	—
Shares issued in conjunction with private placement (1)	—	67,499
Total shares issued during the period	—	67,499
Cost of capital raising during the period, net of tax benefit	—	(2,343)
Derecognition of deferred tax asset (see note 7)	(821)	—
Closing balance at end of period	<u>372,764</u>	<u>373,585</u>

(1) In 2016, the Company completed a 3-tranche private placement of 685 million ordinary shares to professional and sophisticated investors for net proceeds of \$64.2 million. The Company also recognized a tax benefit on the cost of capital of \$1.0 million.

c) Restricted Share Units on Issue

Details of the restricted share units issued or issuable as at 31 December:

Grant Date	2017 No. of RSUs	2016 No. of RSUs
15 April 2014	—	393,311
30 May 2014	—	167,997
28 May 2015	515,037	1,030,075
28 May 2015 (1)	1,545,113	1,545,113
24 June 2015	1,122,571	2,382,229
24 June 2015 (1)	2,267,879	2,267,879
1 August 2015	107,000	214,000
15 March 2016 (2)	6,824,951	6,824,950
27 May 2016 (2)	4,342,331	4,342,331
29 June 2016 (2)	1,633,763	3,614,316
15 August 2016 (2)	—	800,000
15 August 2016	—	200,000
3 January 2017	187,500	—
17 February 2017 (2)	6,627,667	—
25 May 2017 (2)	3,724,191	—
23 October 2017 (2)	745,000	—
23 October 2017	1,500,000	—
29 December 2017	2,660,358	—
Total RSUs outstanding	33,803,361	23,782,201

- (1) RSU's vest based on 3-year TSR as compared to a designated peer group. Subsequent to 31 December 2017, the 3-year TSR was measured and 1,081,579 and 1,587,516 shares were vested and 463,534 and 680,363 shares were forfeited related to the 28 May 2015 and 24 June 2015 grants, respectively.
- (2) ATSR RSUs vest based on 3-year total shareholder return. These are described in more detail Part I, Item 6.

d) Capital Management

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Other than the covenants described in Note 24, the Group has no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and shareholder issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior period. The strategy is to ensure that any significant increases to the Group's debt or equity through additional draws or raises have minimal impact to its gearing ratio. As at 31 December 2017 and 2016, the Company had \$192 million outstanding debt.

NOTE 28 — RESERVES

a) Share-Based Payments Reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options and restricted share units.

b) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the Parent Company.

NOTE 29 — CAPITAL AND OTHER EXPENDITURE COMMITMENTS

Capital commitments relating to tenements

As at 31 December 2017, all of the Company's core exploration and evaluation and development and production assets are located in Texas. The Company has an interest in a non-core exploration and evaluation license located in Australia.

The mineral leases in the exploration prospects in the US have primary terms ranging from 3 years to 5 years and generally have no specific capital expenditure requirements. However, mineral leases that are not successfully drilled and included within a spacing unit for a producing well within the primary term will expire at the end of the primary term unless re-leased.

The Company is committed to fund exploratory drilling in the Cooper Basin (Australia) of up to approximately A\$10.6 million through 2019, of which A\$6.2 million (US\$4.8 million) had been incurred as at 31 December 2017.

The following tables summarize the Group's contractual commitments not provided for in the consolidated statements of financial position:

As at 31 December 2017	Total US\$'000	Less than 1 year	1 — 5 years	More than 5 years
Cooper Basin capital commitments (1)	3,490	1,745	1,745	—
Operating lease commitments (2)	2,446	1,050	1,396	—
Employment commitments (3)	370	370	—	—
Total expenditure commitments	<u>6,306</u>	<u>3,165</u>	<u>3,141</u>	<u>—</u>

As at 31 December 2016	Total US\$'000	Less than 1 year	1 — 5 years	More than 5 years
Cooper Basin capital commitments (1)	3,373	1,687	1,686	—
Drilling rig commitments (4)	1,085	1,085	—	—
Operating lease commitments (2)	4,123	1,353	2,267	503
Employment commitments (3)	740	370	370	—
Total expenditure commitments	<u>9,321</u>	<u>4,495</u>	<u>4,323</u>	<u>503</u>

- (1) The Company has a commitment to fund capital expenditures at the Cooper Basin of up to approximately A\$10.6 million through 2019, of which A\$6.2 million and A\$5.9 million had been paid or accrued to date as at 31 December 31, 2017 and 2016, respectively. The remaining commitment amounts in table are shown in USD translated at year-end. Timing of commitment may vary.
- (2) Represents commitments for minimum lease payments in relation to non-cancellable operating leases for office space, net of sublease rental income, compressor equipment and the Company's amine treatment facility not provided for in the consolidated financial statements.

- (3) Represents commitments for the payment of salaries and other remuneration under long-term employment and consultant contracts not provided for in the consolidated financial statements. Details relating to the employment contracts are set out in the Company's Remuneration Report.
- (4) As at 31 December 2016 the Company had one drilling rig contracted to drill seven wells during 2017. The amount represents minimum expenditure commitments should the Company elect to terminate this contract prior to term.

NOTE 30 — CONTINGENT ASSETS AND LIABILITIES

The Company is involved in various legal proceedings in the ordinary course of business. The Company recognizes a contingent liability when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. While the outcome of these lawsuits and claims cannot be predicted with certainty, it is the opinion of the Company's management that as of the date of this report, it is not probable that these claims and litigation involving the Company will have a material adverse impact on the Company. Accordingly, no material amounts for loss contingencies associated with litigation, claims or assessments have been accrued at December 31, 2017. At the date of signing this report, the Group is not aware of any other contingent assets or liabilities that should be recognized or disclosed in accordance with AASB 137/IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets*.

NOTE 31 — OPERATING SEGMENTS

The Company's strategic focus is the exploration, development and production of large, repeatable onshore resource plays in North America. All of the basins and/or formations in which the Company operates in North America have common operational characteristics, challenges and economic characteristics. As such, Management has determined, based upon the reports reviewed and used to make strategic decisions by the Chief Operating Decision Maker ("CODM"), whom is the Company's Managing Director and Chief Executive Officer, that the Company has one reportable segment being oil and natural gas exploration and production in North America. For the years ended 31 December 2017, 2016 and 2015, all statement of profit or loss and other comprehensive income activity was attributed to its reportable segment with the exception of \$0.2 million, \$6.7 million and \$2.2 million of pre-tax impairment expense, which related to the impairment of its Cooper Basin assets in Australia, respectively.

Geographic Information

The operations of the Group are located in two geographic locations, North America and Australia. The Company's Australian assets (Cooper Basin) were acquired in 2015 from NSE and the Company intends to sell these assets as they fall outside the Company's strategic focus. All revenue is generated from sales to customers located in North America. As at 31 December 2017 and 2016, the carrying value of the assets held in Australia was nil.

Revenue from two major customers exceeded 10 percent of Group consolidated revenue for the year ended 31 December 2017 and accounted for 50 and 34 percent, respectively (2016: two major customers accounting for 69 and 12 percent, respectively and 2015: three major customers accounted for 30, 29 and 22 percent, respectively) of our consolidated oil, natural gas and NGL revenues.

NOTE 32 — CASH FLOW INFORMATION

Year ended 31 December	2017 US\$'000	2016 US\$'000	2015 US\$'000
a) Reconciliation of cash flows from operations with income from ordinary activities after income tax			
Loss from ordinary activities after income tax	(22,435)	(45,694)	(263,835)
Adjustments to reconcile net profit to net operating cash flows:			
Depreciation and amortisation expense	58,361	48,147	94,584
Share-based compensation	2,076	2,524	4,100
Unrealised losses on derivatives	1,224	21,433	(3,444)
Net loss (gain) on sale of non-current assets	1,461	—	(790)
Decrease in fair value of securities at fair value through the profit and loss	—	—	90
Impairment of development and production assets	5,583	10,203	321,918
Unsuccessful exploration and evaluation expense	—	30	—
Loss on debt extinguishment	—	—	1,151
Add: Interest expense and financing costs (disclosed in investing and financing activities)	12,676	12,219	9,418
Recognition (derecognition) of deferred tax assets on items directly within equity	(821)	986	—
Less: Gain from escrow settlement, insurance proceeds and litigation settlements (disclosed in investing activities)	(2,200)	(3,603)	—
Less: Loss on foreign currency derivative (disclosed in financing activities)	—	390	—
Other	541	21	2,240
Changes in assets and liabilities:			
- Decrease (increase) in current and deferred income tax	2,888	(826)	(100,583)
- Decrease (increase) in other current assets	72	(511)	2,742
- Decrease in trade and other receivables	5,241	2,009	7,007
- Increase (decrease) in trade and other payables	9,633	(5,080)	(2,177)
- Decrease in tax receivable	476	412	(6,522)
- Decrease in non-current liability	—	—	(1,430)
Net cash provided by operating activities	74,776	42,660	64,469

b) Non Cash Financing and Investing Activities

- The Company had non-cash additions to oil and natural gas properties of \$27,726, \$13,161 and \$22,559 included in current liabilities at 31 December 2017, 2016 and 2015, respectively.
- During the year ended 31 December 2015, the net gain on sale of properties primarily related to an ad valorem tax true-up related to properties sold in 2014.

NOTE 33 — SHARE BASED PAYMENTS

The Company recognized share based compensation expense of \$1.9 million, \$2.7 million and \$4.1 million for the years ended 31 December 2017, 2016 and 2015, respectively, comprised of RSUs (equity-settled) and deferred cash awards (cash-settled) and options.

Restricted Share Units

During the years ended 31 December 2017, 2016 and 2015, the Board of Directors awarded 15,757,216, 16,992,192 and 13,322,262 RSUs, respectively, to certain employees (of which 3,724,191, 5,113,281 and 3,090,000, respectively, granted to the Company's Managing Director were approved by shareholders). These awards were made in accordance with the long-term equity component of the Company's incentive compensation plan, the details of which are described in more detail in the Remuneration Report of the Directors' Report. The fair value calculation

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methodology is described in Note 1. RSU expense totaled \$2.1 million, \$2.5 million and \$4.1 million for the years ended 31 December 2017, 2016 and 2015, respectively. This information is summarised for the Group for the years ended 31 December 2017, 2016 and 2015, respectively, below:

	Number of RSUs	Weighted Average Fair Value at Measurement Date AS
Outstanding at 31 December 2014	2,964,177	0.93
Issued or Issuable	13,322,262	0.53
Converted to ordinary shares	(3,805,789)	0.63
Forfeited	(46,312)	0.93
Outstanding at 31 December 2015	12,434,338	0.55
Issued or Issuable (1)	18,267,192	0.18
Converted to ordinary shares	(5,501,538)	0.54
Forfeited	(1,417,791)	0.59
Outstanding at 31 December 2016	23,782,201	0.34
Issued or Issuable	15,757,216	0.09
Converted to ordinary shares	(3,897,911)	0.43
Forfeited	(1,838,145)	0.15
Outstanding at 31 December 2017	33,803,361	0.22

(1) Includes 1,275,000 of RSUs formally issued on the ASX in 2016 in conjunction with a 2015 option conversion.

The following tables summarise the RSUs issued and their related grant date, fair value and vesting conditions:

RSUs awarded during the year ended 31 December 2017:

Grant Date	Number of RSUs	Fair Value at Measurement Date (Per RSU in US\$)	Vesting Conditions
3 January 2017	250,000	\$ 0.22	25% after 90 days; then 25% on 3 January 2018, 2019 and 2020
9 January 2017	250,000	\$ 0.24	25% after 90 days; then 25% on 9 January 2018, 2019 and 2020
2 February 2017	6,627,667	\$ 0.12	0 % - 150% based on 3 year ATSR
25 May 2017	3,724,191	\$ 0.05	0 % - 150% based on 3 year ATSR
23 October 2017	745,000	\$ 0.03	0 % - 150% based on 3 year ATSR
23 October 2017	1,500,000	\$ 0.05	25% after 90 days; then 25% on 23 October 2018, 2019 and 2020
29 December 2017	2,660,358	\$ 0.07	33 % on 31 January 2018, 2019 and 2020
	<u>15,757,216</u>		

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RSUs awarded during the year ended 31 December 2016:

Grant Date	Number of RSUs	Fair Value at Measurement Date (Per RSU in US\$)	Vesting Conditions
15 March 2016	6,824,950	\$ 0.15	0 % - 133% based on 3 year ATSR
27 May 2016	4,342,331	\$ 0.10	0 % - 133% based on 3 year ATSR
27 May 2016	770,950	\$ 0.12	100 % vested immediately
29 June 2016	3,853,961	\$ 0.08	33 % on 1 January 2017, 2018 and 2019
15 August 2016	400,000	\$ 0.11	50 % on 13 November 2016 and 50% on 11 February 2017
15 August 2016	800,000	\$ 0.11	0 % - 133% based on 3 year ATSR
	16,992,192		

RSUs awarded during the year ended 31 December 2015:

Grant Date	Number of RSUs	Fair Value at Measurement Date (Per RSU in US\$)	Vesting Conditions
27 April 2015	28,874	\$ 0.52	25 % on 27 April 2016, 2017, 2018 and 2019
28 May 2015	1,545,113	\$ 0.45	33 % on 31 January 2016, 2017 and 2018
28 May 2015	1,545,113	\$ 0.67	0% - 200% based on 3 year total shareholder return as compared to peers
24 June 2015	4,267,002	\$ 0.40	33 % on 31 January 2016, 2017 and 2018
24 June 2015	2,815,681	\$ 0.57	0% - 200% based on 3 year total shareholder return as compared to peers
24 June 2015	2,809,479	\$ 0.40	100 % vested upon issuance
1 September 2015	321,000	\$ 0.25	33 % on 31 January 2016, 2017 and 2018
	13,332,262		

Upon vesting, and after a certain administrative period, the RSUs are converted to ordinary shares of the Company. Once converted to ordinary shares, the RSUs are no longer restricted. For the years ended 31 December 2017, 2016 and 2015 the weighted average price of the RSUs at the date of conversion was A\$0.19, A\$0.11, and A\$0.52 per share, respectively.

At 31 December 2017, the weighted average remaining contractual life of the RSUs was 1.4 years.

Deferred Cash Awards

During the years ended 31 December 2017 and 2016, the Board of Directors awarded \$2.0 million and \$2.1 million of deferred cash awards to certain employees. Under the deferred cash plan, awards may vest between 0%-300%, earned through appreciation in the price of Sundance's ordinary shares over a one to three year period. The details of the award is described in more detail in the Remuneration Report of the Directors' Report and the fair value calculation methodology is described in Note 1. The Company recorded income of \$(0.2) million and expense of \$0.2 million for the years ended 31 December 2017 and 2016, respectively. The estimated weighted average fair value of each one dollar unit of deferred cash awards as at 31 December 2017 was \$0.03, resulting in a total liability of \$16 thousand.

	Amount of Deferred Cash Awards
Outstanding at 31 December 2014	—
Granted	—
Vested and paid in cash	—
Forfeited	—
Outstanding at 31 December 2015	—
Granted	2,079,879
Vested and paid in cash	—
Forfeited	(31,681)
Outstanding at 31 December 2016	2,048,198
Granted	1,998,675
Vested and paid in cash	—
Forfeited	(1,744,228)
Outstanding at 31 December 2017	2,302,645

NOTE 34 — RELATED PARTY TRANSACTIONS

There were no material related party transactions for the years ended 31 December 2017, 2016 and 2015.

NOTE 35 — FINANCIAL RISK MANAGEMENT

a) Financial Risk Management Policies

The Group is exposed to a variety of financial market risks including interest rate, commodity prices, foreign exchange and liquidity risk. The Group's risk management strategy focuses on the volatility of commodity markets and protecting cash flow in the event of declines in commodity pricing. The Group has historically used derivative financial instruments to hedge exposure to fluctuations in commodity prices, and at times, interest rates and foreign currency transactions. The Group's financial instruments consist mainly of deposits with banks, accounts receivable, derivative financial instruments, credit facility, and payables. The main purpose of non-derivative financial instruments is to providing funding for the Group operations.

i) Treasury Risk Management

Financial risk management is carried out by Management. The Board sets financial risk management policies and procedures by which Management are to adhere. Management identifies and evaluates all financial risks and enters into financial risk instruments to mitigate these risk exposures in accordance with the policies and procedures outlined by the Board.

ii) Financial Risk Exposure and Management

The Group's interest rate risk arises from its borrowings. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

iii) Commodity Price Risk Exposure and Management

The Board actively reviews oil and natural gas hedging on a monthly basis. Reports providing detailed analysis of the Group's hedging activity are continually monitored against Group policy. The Group sells its oil on market using NYMEX West Texas Intermediary ("WTI") and Louisiana Light Sweet ("LLS")

market spot rates reduced for basis differentials in the basins from which the Company produces. Gas is sold using Henry Hub (“HH”) and Houston Ship Channel (“HSC”) market spot prices. Forward contracts are used by the Group to manage its forward commodity price risk exposure. The Group’s policy is to hedge at least 50% of its proved developed reserves through 2019 and for a rolling 36 month period thereafter, as required by its Credit Agreement. The Group has not elected to utilise hedge accounting treatment and changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

A summary of the Company’s outstanding derivative positions as at 31 December 2017 is below:

Oil Derivatives (WTI/LLS)		Weighted Average (1)	
Year	Units (Bbls)	Floor	Ceiling
2018	891,000	\$ 50.40	\$ 56.86
2019	828,000	\$ 50.56	\$ 53.49
2020	108,000	\$ 47.05	\$ 52.50
Total	1,827,000	\$ 50.28	\$ 55.07

Gas Derivatives (HH/HSC)		Weighted Average (1)	
Year	Units (Mcf)	Floor	Ceiling
2018	2,106,000	\$ 2.92	\$ 3.24
2019	1,212,000	\$ 2.78	\$ 3.47
2020	216,000	\$ 2.54	\$ 2.93
Total	3,534,000	\$ 2.85	\$ 3.30

- (1) The Company’s outstanding derivative positions include swaps totaling 1,089,000 Bbls and 1,350,000 Mcf, which are included in both the weighted average floor and ceiling value.

b) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalent and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. Other than the Term Loan, the balances are not materially different from those disclosed in the consolidated statement of financial position of the Group.

c) Credit Risk

Credit risk for the Group arises from investments in cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and joint-interest partners including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. The Group trades only with recognised, creditworthy third parties.

The maximum exposure to credit risk, excluding the value of any collateral or other security, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Receivable balances are monitored on an ongoing basis at the individual customer level.

At 31 December 2017, the Group had three customers that owed the Group approximately \$1.0 million, \$0.8 million and \$0.6 million which accounted for approximately 39%, 29% and 22% of total accrued revenue receivables, respectively. In the event that the customer to the Company’s largest outstanding receivable defaults, the Company could draw upon a letter of credit in place for the Company’s benefit. For joint interest billing receivables, if payment is not made, the Group can withhold future payments of revenue, as such, there is minimal to no credit risk associated with these receivables.

d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities as they become due, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Financial liabilities are at contractual value, except for provisions, which are estimated at each period end.

The Company has the following commitments related to its financial liabilities (US\$'000):

Year ended 31 December 2017	Total	Less than 1 year	1 — 5 years	More than 5 years
Trade and other payables	9,051	9,051	—	—
Accrued expenses	39,051	39,051	—	—
Production prepayment	18,194	18,194	—	—
Provisions	3,316	1,158	2,158	—
Credit facilities payments, including interest (1)	225,933	13,674	212,259	—
Total	295,545	81,128	214,417	—

Year ended 31 December 2016	Total	Less than 1 year	1 — 5 years	More than 5 years
Trade and other payables	3,579	3,579	—	—
Accrued expenses	19,995	19,995	—	—
Provisions	6,025	2,726	3,299	—
Credit facilities payments, including interest (1)	235,441	12,606	222,835	—
Total	265,040	38,906	226,134	—

(1) Assumes credit facilities are held to maturity.

e) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

Commodity Price Risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil, gas and NGL products it produces.

Commodity Price Risk Sensitivity Analysis

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments have not been designated as hedges and are and therefore adjusted to fair value through

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profit and loss. The analysis assumes that the crude oil and natural gas price moves \$10 per barrel and \$0.50 per mcf, with all other variables remaining constant, respectively.

Year ended 31 December	2017 US\$'000	2016 US\$'000
Effect on profit before tax		
Increase / (Decrease)		
<i>Oil</i>		
- improvement in US\$ oil price of \$10 per barrel	(14,287)	(12,813)
- decline in US\$ oil price of \$10 per barrel	15,961	16,233
<i>Gas</i>		
- improvement in US\$ gas price of \$0.50 per mcf	(1,254)	(1,423)
- decline in US\$ gas price of \$0.50 per mcf	1,504	1,306

Interest Rate Risk

Interest rate risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest Rate Sensitivity Analysis

Based on the net debt position as at 31 December 2017 and 2016 with all other variables remaining constant, the following table represents the effect on income as a result of changes in the interest rate. The impact on equity is the same as the impact on profit (loss) before income tax.

Year ended 31 December	2017 US\$'000	2016 US\$'000
Effect on profit (loss) before tax Increase / (Decrease)		
- increase in interest rates + 2%	(3,663)	(3,357)
- decrease in interest rates - 2%	1,177	396

This assumes that the change in interest rates is effective from the beginning of the financial year and the net debt position and fixed/floating mix is constant over the year. However, interest rates and the debt profile of the Group are unlikely to remain constant and therefore the above sensitivity amounts are subject to change.

NOTE 36 — SUBSIDIARIES

The Company's significant subsidiaries as at 31 December 2017 are as follows:

Name of Entity	Place of Incorporation	Percentage Owned
Sundance Energy Inc.	Colorado	100
Sundance Energy Oklahoma, LLC	Delaware	100
SEA Eagle Ford, LLC	Texas	100
Armadillo Eagle Ford Holdings, Inc.(1)	Delaware	100
Armadillo E&P, Inc.	Delaware	100
NSE PEL570 LTD	Australia	100

(1) Entity was dissolved subsequent to 31 December 2017.

NOTE 37 — EVENTS AFTER THE BALANCE SHEET DATE

On 23 April 2018, the Company's wholly owned subsidiary Sundance Energy, Inc. acquired from Pioneer Natural Resources USA, Inc., Reliance Industries and Newpek, LLC (collectively the "Sellers") approximately 21,900 net acres in the Eagle Ford oil, volatile oil, and condensate windows in McMullen, Live Oak, Atascosa and La Salle counties, Texas for a cash purchase price of \$221.5 million. To finance the acquisition, the Company raised \$260.0 million of capital through the issuance of 5,614,447,268 ordinary shares.

Contemporaneous with the acquisition closing, on 23 April 2018, the Company entered a \$250 million syndicated second lien term loan with Morgan Stanley Energy Capital, as administrative agent, and the lenders from time to time party thereto, and a syndicated revolver with Natixis, New York Branch, as administrative agent, and the lenders from time to time party thereto, with initial availability of \$87.5 million (with a \$250.0 million face). The proceeds of the refinanced debt facilities were used to retire the Company's existing Credit Facilities of \$192.0 million, repay the remaining outstanding production prepayment of \$11.8 million and pay deferred financing fees of \$15.9 million.

NOTE 38—UNAUDITED SUPPLEMENTAL OIL AND GAS DISCLOSURES**Costs Incurred**

The following table sets forth the capitalised costs incurred in our oil and gas production, exploration, and development activities:

(in thousands)	Year ended December 31,		
	2017	2016	2015
Property acquisition costs			
Proved	\$ 4,335	\$ 23,873	\$ 13,170
Unproved	1,244	2,815	15,495
Exploration costs	2,949	1,650	10,353
Development costs (1)	115,120	61,131	76,831
	<u>\$ 123,648</u>	<u>\$ 89,469</u>	<u>\$ 115,849</u>

- (1) 2016 and 2015 development costs include \$5.0 million and \$16.6 million of costs associated with non-producing wells in progress as at December 31, 2016 and 2015, respectively. These wells in progress were either drilling, waiting on hydraulic fracturing or production testing at year-end. There were no wells in progress at December 31, 2017.

SEC Oil and Gas Reserve Information

Ryder Scott Company, L.P., an independent petroleum engineering consulting firm, prepared all of the total future net revenue discounted at 10% attributable to the total interest owned by the Company as of December 31, 2017, 2016 and 2015. The technical person primarily responsible for the estimates set forth in the reserves report is Mr. Stephen E. Gardner. Mr. Gardner is a Licensed Professional Engineer in the States of Colorado and Texas with over 12 years of practical experience in estimation and evaluation of petroleum reserves.

Proved reserves are those quantities of oil and natural gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

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There are numerous uncertainties inherent in estimating quantities of proved reserves and projecting future rates of production and the timing of development expenditures. The estimation of our proved reserves employs one or more of the following: production trend extrapolation, analogy, volumetric assessment and material balance analysis. Techniques including review of production and pressure histories, analysis of electric logs and fluid tests, and interpretations of geologic and geophysical data are also involved in this estimation process.

The following reserve data represents estimates only and should not be construed as being exact. All such reserves are located in the continental United States.

	Oil (MBbl)	Natural Gas (MMcf)	NGL (MBbl)	Total Oil Equivalents (MBoe)
Total proved reserves:				
31 December 2014	17,026	28,733	4,166	25,981
Revisions of previous estimates	(3,491)	(8,152)	(1,218)	(6,068)
Extensions and discoveries	1,950	4,122	699	3,336
Purchases of reserves in-place	3,896	4,454	238	4,876
Production	(1,829)	(2,581)	(393)	(2,652)
Sales of reserves in-place	—	—	—	—
31 December 2015	17,552	26,576	3,492	25,473
Revisions of previous estimates	(1,397)	536	(833)	(2,141)
Extensions and discoveries	4,242	10,240	1,551	7,500
Purchases of reserves in-place	1,432	3,121	1,216	3,168
Production	(1,412)	(2,941)	(332)	(2,234)
Sales of reserves in-place	(1,976)	(1,802)	—	(2,276)
31 December 2016	18,441	35,730	5,094	29,490
Revisions of previous estimates	(1,778)	(2,091)	154	(1,972)
Extensions and discoveries	6,658	17,255	2,852	12,386
Purchases of reserves in-place	6,892	14,935	1,897	11,278
Production	(1,800)	(3,621)	(324)	(2,727)
Sales of reserves in-place	(426)	(2,799)	(483)	(1,376)
31 December 2017	27,987	59,409	9,190	47,079
Proved developed reserves:				
31 December 2015	6,379	13,205	1,998	10,578
31 December 2016	7,440	16,704	2,269	12,493
31 December 2017	8,987	21,078	3,244	15,744
Proved undeveloped reserves				
31 December 2015	11,173	13,371	1,494	14,895
31 December 2016	11,001	19,026	2,825	16,997
31 December 2017	19,000	38,331	5,946	31,335

Proved Undeveloped Reserves

At December 31, 2017, the Company's proved undeveloped reserves were approximately 31,335 MBoe, an increase of 14,338 MBoe over our December 31, 2016 proved undeveloped reserves estimate of approximately 16,997 MBoe. The change primarily consisted of extensions and discoveries of 10,140 MBoe (Eagle Ford) and purchases of reserves of 10,678 MBoe (from its leasehold acquisitions in the second quarter of 2017), partially offset by downward revisions to previous estimates of approximately 2,534 MBoe and a decrease of 3,948 MBoe due to the conversion of proved undeveloped reserves to proved developed reserves. All of the proved undeveloped reserves at December 31, 2017 were located in the Eagle Ford.

Over the next five years, the Company expects to fund its future development costs associated with proved undeveloped reserves of \$508.5 million with operating cash flows from its existing proved developed reserves and

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proved undeveloped reserves that are expected to be converted to proved developed reserves, supplemented by its revolving credit facility. Using the December 31, 2017 SEC price assumptions, the Company's proved reserves operating cash flows are expected to be approximately \$806.1 million (undiscounted, before income taxes (if any)). As such, the Company expects all proved undeveloped locations that are scheduled and included in the Company's reserves will be spud within the next five years.

Revisions of Previous Estimates

The Company's previous estimates of Proved Reserves related to the Eagle Ford decreased by 1,972 MBoe in 2017. This decrease was primarily due to the derecognition of certain proved undeveloped reserves as they were not drilled within the initial five year window.

The Company's previous estimates of Proved Reserves related to the Eagle Ford decreased by 2,141 MBoe in 2016 (100% percent of the Company's total revisions of previous estimate). This decrease was due to the majority of the Company's previous Eagle Ford Proved Undeveloped Reserves becoming uneconomic as the result of adjusted forecasts and lower oil, natural gas and NGL pricing.

The Company's previous estimates of Proved Reserves related to the Mississippian/Woodford formation decreased by 5,900 MBoe in 2015 (97 percent of the Company's total revisions of previous estimate). This decrease was due to the majority of the Company's previous Mississippian/Woodford Proved Undeveloped Reserves becoming uneconomic as the result of lower oil, natural gas and NGL pricing.

Extensions and Discoveries

The Company had extensions and discoveries 12,386 MBoe during 2017, primarily resulting from the 2017 drilling program in Dimmit and McMullen Counties, targeting the Eagle Ford formation.

As a result of the Company's 2016 drilling programs in Dimmit and McMullen Counties, targeting the Eagle Ford formation, the Proved Reserves had extensions and discoveries of 7,500 MBoe, which represent 100% of the Company's total extensions and discoveries.

As a result of the Company's 2015 drilling programs in Dimmit County targeting the Eagle Ford formation, the Proved Reserves had extensions and discoveries of 3,303 MBoe, which represent 99% of the Company's total extensions and discoveries.

Purchase of Reserves In-Place

During the years ended 31 December 2017, 2016 and 2015, our purchases of reserves were located in the Eagle Ford.

Sales of Reserves In-Place

During the year ended 31 December 2017, the Company's sales of reserves were attributed to the Mississippian/Woodward formations. The Company divested of its Oklahoma assets in May 2017. See Note 3.

During the year ended 31 December 2016, the Company's sales of reserves were located in the Atascosa County, Texas, of the Eagle Ford formation.

During the year ended 31 December 2015, we did not have any sales of reserves in-place.

Standardized Measure of Future Net Cash Flow

The Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Natural Gas Reserves ("Standardized Measure") does not purport, nor should it be interpreted, to present the fair value of a

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company's proved oil and natural gas reserves. Fair value would require, among other things, consideration of expected future economic and operating conditions, a discount factor more representative of the time value of money, and risks inherent in reserve estimates.

Under the Standardized Measure, future cash inflows are based upon the forecasted future production of year-end proved reserves which are based on SEC-defined pricing as discussed further below. Future cash inflows are then reduced by estimated future production and development costs to determine net pre-tax cash flow. Future income taxes are computed by applying the statutory tax rate to the excess of pre-tax cash flow over our tax basis in the associated oil and gas properties. Tax credits and permanent differences are also considered in the future income tax calculation. Future net cash flow after income taxes is discounted using a 10% annual discount rate to arrive at the Standardized Measure.

The following summary sets forth our Standardized Measure:

(in thousands)	Year ended 31 December		
	2017	2016	2015
Cash inflows	\$ 1,866,923	\$ 892,576	\$ 936,041
Production costs	(667,438)	(307,907)	(246,277)
Development costs	(516,243)	(274,384)	(308,253)
Income tax expense	(35,933)	—	(1,602)
Net cash flow	647,309	310,285	379,909
10% annual discount rate	(280,562)	(151,146)	(198,142)
Standardized measure of discounted future net cash flow	\$ 366,747	\$ 159,139	\$ 181,767

The following are the principal sources of change in the Standardized Measure:

(in thousands)	Year ended 31 December		
	2017	2016	2015
Standardized Measure, beginning of period	\$ 159,139	\$ 181,767	\$ 435,506
Sales, net of production costs	(75,370)	(49,496)	(67,693)
Net change in sales prices, net of production costs	7,899	(62,670)	(369,770)
Extensions and discoveries, net of future production and development costs	94,151	3,603	11,609
Changes in future development costs	17,128	5,331	28,092
Previously estimated development costs incurred during the period	51,414	45,012	31,007
Revision of quantity estimates	(20,598)	9,762	(91,440)
Accretion of discount	15,914	18,217	53,173
Change in income taxes	(14,492)	402	95,827
Purchases of reserves in-place	88,280	17,004	442
Sales of reserves in-place	(7,544)	845	—
Change in production rates and other	50,826	(10,638)	55,014
Standardized Measure, end of period	\$ 366,747	\$ 159,139	\$ 181,767

(1) The 2017 change in production rates and other is primarily related to the Company accelerating the recoveries of reserves.

Impact of Pricing

The estimates of cash flows and reserve quantities shown above are based upon the unweighted average first-day-of-the-month prices for the previous twelve months. If future gas sales are covered by contracts at specified prices, the contract prices would be used. Fluctuations in prices are due to supply and demand and are beyond our control.

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The following average prices were used in determining the Standardized Measure as at:

	Year ended 31 December		
	2017	2016	2015
Oil price per Bbl	\$ 52.60	\$ 42.02	\$ 48.47
Gas price per Mcf	\$ 3.17	\$ 1.22	\$ 1.27
NGL price per Bbl	\$ 22.47	\$ 14.55	\$ 14.80

The Company calculates the projected income tax effect using the “year- by-year” method for purposes of the supplemental oil and gas disclosures.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
1.1	<u>Constitution of Sundance Energy Australia Limited (incorporated by reference to Exhibit 1.1 of Form 20-F (File No. 000-55246) filed with the SEC on July 11, 2014)</u>
4.1	<u>Credit Agreement, dated as of May 14, 2015, among Sundance Energy Australia Limited, Sundance Energy, Inc., as borrower, Morgan Stanley Energy Capital, Inc., as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 4.1 of Form 20-F (File No. 000-55246) filed with the SEC on May 15, 2015)</u>
4.2	<u>Guarantee and Collateral Agreement, dated as of May 14, 2015, by Sundance Energy Australia Limited, Sundance Energy Inc. and other guarantor party thereto, in favor of Morgan Stanley Energy Capital Inc., as administrative agent (incorporated by reference to Exhibit 4.2 of Form 20-F (File No. 000-55246) filed with the SEC on May 15, 2015)</u>
4.3	<u>Purchase and sale agreement, dated as of March 9, 2018 between Pioneer Natural Resources USA, Inc., Reliance Eagleford Upstream Holding LP, and Newpek, LLC as Sellers and Sundance Energy, Inc. as Buyer*</u>
4.4	<u>Amended and Restated Term Loan Credit Agreement, dated as of April 23, 2018 among Sundance Energy Australia Limited, as parent, Sundance Energy Inc., as borrower and Morgan Stanley Energy Capital, Inc., as administrative agent, and the lenders party thereto*</u>
4.5	<u>Guarantee and Collateral Agreement, dated as of April 23, 2018, by Sundance Energy Australia Limited, Sundance Energy Inc. and other guarantor party thereto, in favor of Morgan Stanley Energy Capital, Inc., as administrative agent*</u>
4.6	<u>Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Sundance Energy, Inc. to David Lazarus, as trustee for the benefit of Morgan Stanley Energy Capital Inc., as administrative agent for the secured parties*</u>
4.7	<u>Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from SEA Eagle Ford, LLC to David Lazarus, as trustee for the benefit of Morgan Stanley Energy Capital Inc., as administrative agent for the secured parties*</u>
4.8	<u>Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Armadillo E&P, Inc to David Lazarus, as trustee for the benefit of Morgan Stanley Energy Capital Inc., as administrative agent for the secured parties*</u>
4.9	<u>Intercreditor Agreement, dated April 23, 2018, among Sundance Energy Inc., the other grantors party herto, Natixis, New York Branch, as senior representative, and Morgan Stanley Energy Capital, Inc., as the second priority representative*</u>
4.10	<u>Credit Agreement, dated as of April 23, 2018 among Sundance Energy Australia Limited, Sundance Energy Inc, as borrower and Natixis, New York Branch, as administrative agent, and the lenders party hereto*</u>
4.11	<u>Guarantee and Collateral Agreement, dated as of April 23, 2018, among Sundance Energy Australia Limited and Sundance Energy Inc., in favor of Natixis, New York Branch, as administrative agent*</u>
4.12	<u>Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Sundance Energy, Inc. to Tim Polvado, as trustee for the benefit of Natixis, New York Branch, as administrative agent*</u>

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- 4.13 [Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from SEA Eagle Ford, LLC to Tim Polvado, as trustee for the benefit of Natixis, New York Branch, as administrative agent*](#)
- 4.14 [Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Armadillo E&P, Inc. to Tim Polvado, as trustee for the benefit of Natixis, New York Branch, as administrative agent*](#)
- 4.15 [Form of Deed of Access, Insurance and Indemnity for Directors and Officers \(incorporated by reference to Exhibit 4.9 of Form 20-F \(File No. 000-55246\) filed with the SEC on July 11, 2014\)](#)
- 4.16 [Form of Employment Agreement, by and between Sundance Energy Inc. and Eric P. McCrady \(incorporated by reference to Exhibit 4.4 of Form 20-F \(File No. 000-55246\) filed with the SEC on May 2, 2016\)](#)
- 8.1 [List of significant subsidiaries of Sundance Energy Australia Limited*](#)
- 12.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)
- 12.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*](#)
- 13.1 [Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*](#)
- 13.2 [Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*](#)
- 15.1 [Consent of Deloitte Touche Tohmatsu*](#)
- 15.2 [Consent of Ernst and Young*](#)
- 15.3 [Consent of Ryder Scott Company to use its reports*](#)
- 15.4 [Report of Ryder Scott Company regarding the Company's estimated proved reserves as of December 31, 2017 dated March 2, 2017*](#)
- 15.5 [Report of Ryder Scott Company regarding the Company's estimated proved reserves as of December 31, 2016 dated January 30, 2017 \(incorporated by reference to Exhibit 15.5 of Form 20-F \(File No. 001-36302\) filed with the SEC on April 28, 2017\)](#)
- 15.6 [Report of Ryder Scott Company regarding the Company's estimated proved reserves as of December 31, 2015 dated April 30, 2016 \(incorporated by reference to Exhibit 15.4 of Form 20-F \(File No. 000-55246\) filed with the SEC on May 2, 2016\)](#)
- 101 The following materials from Sundance Energy Australia Limited's Annual Report on Form 10-K for the year ended December 31, 2017 are filed herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Profit and Loss for the Years Ended December 31, 2017, 2016 and 2015, (ii) the Consolidated Balance Sheets as of December 31, 2017 and 2016, (iii) the Consolidated Statements of Equity for the Years Ended December 31, 2017, 2016 and 2015 (iv) the Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015,, and (v) Notes to Consolidated Financial Statements.*

* Filed herewith.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SUNDANCE ENERGY AUSTRALIA LIMITED

By: /s/ Eric P. McCrady

Name: Eric P. McCrady

Title: Chief Executive Officer

Date: April 30, 2018

CREDIT AGREEMENT

dated as of

April 23, 2018

among

SUNDANCE ENERGY AUSTRALIA LIMITED,

SUNDANCE ENERGY, INC.,

as Borrower,

NATIXIS, NEW YORK BRANCH,

as Administrative Agent,

and

the Lenders party hereto

NATIXIS, NEW YORK BRANCH

Sole Lead Arranger and Sole Book Runner

[CREDIT AGREEMENT]

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THIS CREDIT AGREEMENT dated as of April 23, 2018, is among **SUNDANCE ENERGY AUSTRALIA LIMITED**, a limited company organized and existing under the laws of South Australia (“Parent”), **SUNDANCE ENERGY, INC.**, a Colorado corporation (the “Borrower”), each of the Lenders from time to time party hereto and Natixis, New York Branch (in its individual capacity, “Natixis”), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the “Administrative Agent”).

RECITALS

A. The Borrower has requested that the Lenders provide certain loans to and extensions of credit on behalf of the Borrower and that each Issuing Bank provide Letters of Credit, and the Lenders have indicated their willingness to lend and make such extensions of credit and each Issuing Bank has indicated its willingness to issue Letters of Credit, in each case subject to the terms and conditions of this Agreement.

B. 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:

“Acquisition” means the acquisition by the Loan Parties of the Assets (as defined in the Acquisition PSA).

“Acquisition PSA” means that certain Purchase and Sale Agreement dated as of March 9, 2018, by and among Pioneer Natural Resources USA, Inc., a Delaware corporation, Reliance Eagleford Upstream Holding LP, a Texas limited partnership, and Newpek, LLC, a Delaware limited liability company, as sellers, and Borrower, as buyer, as amended by that certain First Amendment to Purchase and Sale Agreement dated as of March 19, 2018.

“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 the LIBO Rate for such Interest Period multiplied by the Statutory Reserve Rate.

“Administrative Agent” has the meaning set forth in the preamble hereto.

“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.

“Agent” means each of the Administrative Agent and any other agent or sub-agent pursuant to Section 11.05 appointed by the Administrative Agent with respect to matters related to the Loan Documents.

“Aggregate Maximum Credit Amounts” means, at any time, an amount equal to the sum of the Maximum Credit Amounts, as the same may be reduced or terminated pursuant to Section 2.06.

“Agreement” means this Credit Agreement, including the Schedules and Exhibits hereto, as the same may be amended, modified, supplemented, restated, replaced or otherwise modified from time to time.

“Anti-Terrorism Laws” has the meaning assigned to such term in Section 7.26.

“Applicable Margin” means, for any date, the applicable rate per annum set forth below as determined based upon the Borrowing Base Utilization Percentage then in effect:

Borrowing Base Utilization Percentage	< 25%	≥ 25% and < 50%	≥ 50% and < 75%	≥ 75% and < 90%	≥ 90%
Base Rate Loans	1.50%	1.75%	2.00%	2.25%	2.50%
Eurodollar Loans	2.50%	2.75%	3.00%	3.25%	3.50%

Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change in the Borrowing Base Utilization Percentage and ending on the date immediately preceding the effective date of the next such change, provided, that if at any time the Borrower fails to deliver a Reserve Report pursuant to Section 8.12(a), then until delivery of such Reserve Report, the “Applicable Margin” shall mean the rate per annum set forth on the grid when the Borrowing Base Utilization Percentage is at its highest level.

“Applicable Percentage” means, with respect to any Lender, the percentage of the Aggregate Maximum Credit Amounts represented by such Lender’s Maximum Credit Amount. The initial Applicable Percentage of each Lender is set forth on Annex I. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“Approved Counterparty” means a counterparty to a Swap Agreement that at the time of entering into such Swap Agreement either (a) is a Secured Swap Provider, (b) is a Person whose senior unsecured long-term debt obligations are rated A or higher by S&P and A3 or higher by Moody’s, (c) Shell Oil Trading (US) Company, Shell Trading Risk Management LLC and their Affiliates, or (d) any other counterparty reasonably acceptable to the Administrative Agent.

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

“Approved Petroleum Engineer” means (a) DeGolyer and MacNaughton, (b) Netherland, Sewell & Associates, Inc., (c) Cawley, Gillespie & Associates, Inc., (d) Ryder Scott Company Petroleum Consultants, L.P., and (e) any other independent petroleum engineers reasonably acceptable to the Administrative Agent.

“Arranger” means Natixis, New York Branch, in its capacity as the sole lead arranger and sole bookrunner hereunder.

“ASC” means the Financial Accounting Standards Board Accounting Standards Codification, as in effect.

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

“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 G or any other form approved by the Administrative Agent.

“Auto-Extension Letter of Credit” has the meaning assigned to such term in Section 2.08(c).

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

“Base Rate” means, for any day, a fluctuating rate per annum equal to the highest of: (a) the Federal Funds Effective Rate plus 50 basis points (0.50%); (b) the Prime Rate for such day; or (c) the LIBO Rate for a term of one month commencing that day plus 100 basis points (1.00%).

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

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

“Borrower” has the meaning set forth in the preamble hereto.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type of Loan and, in the case of Eurodollar Loans, having the same Interest Period, made by each of the Lenders.

“Borrowing Base” means at any time an amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to the Borrowing Base Adjustment Provisions.

“Borrowing Base Adjustment Provisions” means Section 8.13(c) and Section 9.11(e) and any other provisions hereunder which adjust the amount of the Borrowing Base (but for purposes of clarity not including any redeterminations pursuant to Section 2.07).

“Borrowing Base Deficiency” occurs if, at any time, the total Credit Exposures at such time exceeds the aggregate Commitments in effect at such time. The amount of the Borrowing Base Deficiency at such time is the amount by which the total Credit Exposures of all Lenders at such time exceeds the aggregate Commitments in effect at such time.

“Borrowing Base Properties” means the Oil and Gas Properties of the Loan Parties included in the Initial Reserve Report and thereafter in the most recently delivered Reserve Report delivered pursuant to Section 8.12.

“Borrowing Base Utilization Percentage” means, as of any day, the fraction expressed as a percentage, the numerator of which is the sum of the Credit Exposures of the Lenders on such day, and the denominator of which is the Borrowing Base in effect on such day.

“Borrowing Base Value” means, at any time with respect to any Swap Agreement considered in determining the then effective Borrowing Base or any Property to which Proved Reserves were attributed in the Reserve Report then most recently delivered, the value attributed thereto by the Administrative Agent in determining the then current Borrowing Base. The Administrative Agent will notify the Borrower of the value attributed to any such Swap Agreement or Property specified by the Borrower upon request.

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

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; and if such day relates to a Borrowing or continuation of, a payment or prepayment of principal of or interest on, or the Interest Period for, a Eurodollar Loan or a notice by the Borrower with respect to any such Borrowing or continuation, payment, prepayment or Interest Period, any day which is also a day on which banks are open for dealings in Dollar deposits in the London interbank market.

“Capital Leases” means, in respect of any Person, all leases that are or should be, in accordance with IFRS, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder. Any lease that was treated as an operating lease under IFRS at the time it was entered into that later becomes a capital lease as a result of a change in IFRS during the life of such lease, including any renewals, shall be treated as an operating lease for all purposes under this Agreement, and any lease that was treated as a capital lease under IFRS at the time it was entered into that later becomes an operating lease as a result of a change in IFRS during the life of such lease, including any renewals, shall be treated as a capital lease for all purposes under this Agreement.

“Cash Collateralize” means, to pledge and deposit with or deliver to the Administrative Agent (in a manner reasonably satisfactory to the Administrative Agent, which may require such deposit to be made into a controlled account), for the benefit of any Issuing Bank or the Lenders, as collateral for LC Exposure or obligations of the Lenders to fund participations in respect of LC Exposure, cash or deposit account balances or, if the Administrative Agent and each Issuing Bank shall agree, in their sole discretion, other credit support, in each case pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each Issuing Bank. “Cash Collateral” shall have a meaning correlative to the foregoing and shall include the proceeds of such Cash Collateral and other credit support.

“Cash Equivalents” means cash held in Dollars and all Investments of the type identified in Section 9.05(c) through (f).

“Cash Management Services” means (a) commercial credit cards, merchant card services, purchase or debit cards, including non-card e-payables services, (b) treasury management services (including controlled disbursement, overdraft, automated clearing house services, return items, interstate depository network services, electronic funds transfer services, lockbox services and stop payment services), (c) any other demand deposit or operating account relationships and (d) any other cash management services, including for collections and for operating, payroll and trust accounts of the Borrower or any of the Borrower’s Subsidiaries.

“Casualty Event” means any loss, casualty or other insured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Borrowing Base

Properties having a fair market value in excess of \$4,000,000; provided that a Casualty Event as a result of loss, casualty or other insured damage shall not be deemed to have occurred (other than for purposes of Section 8.01(l)) if the applicable Loan Party has restored, repaired or replaced the affected Borrowing Base Property in the ordinary course of business within ninety (90) days of such loss, casualty or other insured damage.

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

“Change in Control” means (a) Parent shall at any time after the Effective Date fail to own, in the aggregate, 100% of the then issued and outstanding Equity Interests in Borrower or, except as permitted by Section 9.10, any other direct or indirect Subsidiary of Parent that is a Guarantor, (b) Eric McCrady shall for any reason cease to serve as the Chief Executive Officer of Borrower and is not replaced within 180 days thereafter by a new Chief Executive Officer acceptable to Majority Lenders, or (c) Borrower shall cease to own and control 100% of the voting and economic interest in the Equity Interests in each Subsidiary of Borrower which owns Borrowing Base Properties.

“Change in Law” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that 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 of America 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.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Instrument.

“Commitment” means with respect to each Lender, the obligation of such Lender to make or continue Loans and to incur or acquire participations in Letters of Credit hereunder, as such obligation may be (a) modified from time to time pursuant to Section 2.06, (b) modified from time to time pursuant to assignments by or to such Lender pursuant to Section 12.04(b) or (c) otherwise modified pursuant to the terms of this Agreement. The amount representing each Lender’s Commitment shall at any time be the lesser of (x) such Lender’s Maximum Credit Amount and (y) such Lender’s Applicable Percentage of the then effective Borrowing Base.

“Commitment Fee Rate” means, for any date, a rate per annum equal to 0.50%.

“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.

“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 Cash Balance” means, as of the end of any calendar month, (a) the aggregate amount of cash and cash equivalents, marketable securities, treasury bonds and bills, certificates of deposit,

investments in money market funds, commercial paper and Cash Equivalents, in each case, held or owned by (either directly or indirectly), credited to the account of or would otherwise be required to be reflected in Consolidated Total Assets less (b) the sum of (i) any restricted cash or Cash Equivalents to pay royalty obligations, working interest obligations, suspense payments, severance taxes, payroll, payroll taxes, other taxes, employee wage and benefit payments and trust and fiduciary obligations or other obligations of the Parent, the Borrower and their Subsidiaries to third parties and for which Parent, the Borrower or such Subsidiary has issued checks or has initiated wires or ACH transfers (or will issue checks or initiate wires or ACH transfers within thirty (30) days) in order to pay, (ii) other amounts for which the Parent, the Borrower or such Subsidiary has issued checks or has initiated wires or ACH transfers but have not yet been subtracted from the balance in the relevant account of the Parent, the Borrower or such Subsidiary, (iii) while and to the extent refundable, any cash or Cash Equivalents of the Parent, the Borrower and their Subsidiaries constituting purchase price deposits held in escrow pursuant to a binding and enforceable purchase and sale agreement with a third party containing customary provisions regarding the payment and refunding of such deposits and (iv) any Net Cash Proceeds from the issuance of Equity Interests of the Parent.

“Consolidated Cash Balance Threshold” means \$20,000,000.

“Consolidated Interest Expense” means for any period, total cash interest expense (including that attributable to obligations under Capital Leases) of Parent, the Borrower and their Subsidiaries for such period with respect to all outstanding Debt (other than any intercompany indebtedness and any interest expense of any Oil and Gas Property or Person acquired pursuant to an Investment permitted under Section 9.05(h) accrued and paid prior to the date of such acquisition) of Parent, the Borrower and their Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing, and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with IFRS).

“Consolidated Net Income” means with respect to Parent, the Borrower and their Subsidiaries, for any period, the aggregate of the net income (or loss) of Parent, the Borrower and their Subsidiaries after allowances for taxes for such period determined on a consolidated basis in accordance with IFRS; 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 Parent, the Borrower or any Subsidiary has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of Parent, the Borrower and their Subsidiaries in accordance with IFRS), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to Parent, the Borrower or to a Subsidiary, as the case may be; (b) the net income (but not loss) during such period of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with IFRS; (c) the net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such transaction; (d) any extraordinary non-cash gains or losses during such period; (e) non-cash gains or losses under IFRS 9 resulting from the net change in mark to market portfolio of commodity price risk management activities during that period; (f) the net income attributable to interest in respect of intercompany indebtedness and (g) any gains or losses attributable to writeups or writedowns of assets; and provided further that if Parent, the Borrower or any Subsidiary shall acquire or dispose of any Property during such period with fair market value or consideration in excess of five percent (5%) of the then effective Borrowing Base, then Consolidated Net Income shall be calculated after giving pro forma effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period; provided that at the Borrower’s sole discretion, such acquisition or dispositions with aggregate fair market value or consideration, as applicable, of less than five percent (5%) of the then effective Borrowing Base may be

included in the calculation of Consolidated Net Income after giving pro forma effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period.

“Consolidated Total Assets” means, as of any date of determination, the amount that would, in conformity with IFRS, be set forth opposite the caption “total assets” (or any like caption) on a consolidated statement of financial position of Parent, the Borrower and their Subsidiaries at such date.

“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.

“Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans and its LC Exposure (excluding all LC Exposure that has been Cash Collateralized) at such time.

“Credit Party” means the Administrative Agent, any Issuing Bank or any other Lender.

“Debt” means, for any Person, the sum of the following (without duplication): (a) all obligations of such Person for borrowed money or evidenced by bonds, bankers’ acceptances, debentures, notes or other similar instruments; (b) all obligations of such Person (whether contingent or otherwise) in respect of letters of credit, surety or other bonds and similar instruments; (c) all accounts payable and all accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property or services that are more than one hundred-twenty (120) days past their invoiced due date other than those which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with IFRS; (d) all obligations of such Person as lessee under Capital Leases; (e) all obligations under Synthetic Leases; (f) 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, whether or not such Debt is assumed by such Person; (g) 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) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others for the purpose of maintaining the financial position or covenants of others; (i) obligations to deliver commodities, goods or services, including Hydrocarbons, in consideration of one or more advance payments, made more than one month in advance of the month in which the commodities, goods or services are to be delivered other than gas balancing arrangements and/or prepaid drilling obligations in the ordinary course of business; (j) take-or-pay or similar obligations that require such Person to pay for goods or services whether or not such goods or services are not actually received or utilized by such Person; (k) 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; (l) Disqualified Capital Stock; and (m) 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 IFRS. Debt shall not include liabilities resulting from endorsements of instruments for collection in the ordinary course of business.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium,

rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“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, subject to Section 4.05(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such 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 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, any Issuing Bank, or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any Issuing Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s 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 Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (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; 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 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 (subject to Section 4.05(b)) upon delivery of written notice of such determination to the Borrower, each Issuing Bank, and each Lender.

“Disqualified Capital Stock” means 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 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, on or prior to the date that is one year after the earlier of (a) the later of the Maturity Date and (b) the date on which there are no Loans, LC Exposure or other obligations hereunder outstanding and all of the Commitments are terminated.

“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.

“EBITDAX” means, for any period, the sum of Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest (including, solely with respect to any period of time ending on or before December 31, 2017, any Surcharge Amount (as defined in the Vitrol Prepayment Contract), income and franchise taxes (including gross receipts taxes), depreciation, depletion, amortization, exploration expenses and other noncash charges (including expenses relating to stock based compensation, hedging, etc.) minus all noncash income added to Consolidated Net Income.

“EEA Financial Institution” means (a) any credit institution or investment firm 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 financial 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 and Section 6.02 are satisfied (or waived in accordance with Section 12.02).

“Engineering Reports” has the meaning assigned to such term in Section 2.07(c)(i).

“Environmental Laws” means any and all Governmental Requirements pertaining in any way to health and safety (insofar as either may be affected by a Release of, or exposure to, Hazardous Materials) 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 Subsidiary is conducting, or at any time has conducted, business, or where any Property of the Borrower or any Subsidiary is located, including, the Oil Pollution Act of 1990, 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 Act, as amended, the Natural Gas Pipeline Safety Act of 1968, as amended, the Hazardous Liquid Pipeline Safety Act of 1979, as amended, and other environmental conservation or protection Governmental Requirements.

“Environmental Permit” means any permit, registration, license, notice, 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.

“ERISA Affiliate” means each trade or business (whether or not incorporated) which together with any Group Member 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.

“ERISA Event” means (a) a Reportable Event with respect to any Plan subject to Title IV of ERISA, (b) the withdrawal of the Borrower or any of its Subsidiaries or ERISA Affiliates from a Plan subject to Title IV of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Plan in a distress termination (as described in Section 4041(c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Plan or a Multiemployer Plan or, (e) any event or condition (i) that provides a basis under Section 4042(a)(1), (2), or (3) of ERISA for the termination of, or the appointment of a trustee to administer, any Plan subject to Title IV of ERISA, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA, or (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of the Borrower, any of its Subsidiaries or ERISA Affiliates from a Multiemployer Plan.

“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 such Loan, or the Loans comprising such Borrowing, 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 are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with IFRS; (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 IFRS; (c) landlord’s liens (including liens granted to the lessor of any oil and gas lessor and any financing statement giving notice thereof), operators’, vendors’, carriers’, warehousemen’s, repairmen’s, mechanics’, suppliers’, workers’, materialmen’s, construction or other like Liens arising by operation of law or otherwise in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Properties 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 IFRS; (d) contractual Liens which arise in the ordinary course of business under real property leases, 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, service agreements, supply 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 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 IFRS, provided that any such Lien referred to in this clause does not materially impair the use of the Property

covered by such Lien for the purposes for which such Property is held by any Group Member or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory or common law provision or customary deposit account terms relating to banker's liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, provided that no such deposit account is a dedicated cash collateral account or is subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board and no such deposit account is intended by any Group Member to provide collateral to the depository institution to secure any Debt (other than pursuant to the Loan Documents); (f) zoning and land use requirements, easements, restrictions, servitudes, permits, conditions, covenants, rights-of-way, building codes, exceptions or reservations in any Property of any Group Member for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such Property for the purposes of which such Property is held by any Group Member or materially impair the value of such Property subject thereto; (g) 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 and not in connection with the borrowing of money; (h) 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; (i) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted hereunder to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to sell or otherwise dispose of any Property permitted hereunder, in each case, solely to the extent such Investment or disposition, as the case may be, would have been permitted on the date of the creation of such Lien; and (j) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto; provided, that Liens described in clauses (a) through (e) above shall remain "Excepted Liens" only for so long as no action to enforce such Lien has been commenced, and no intention to subordinate the first priority Lien otherwise granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Excepted Liens.

"Excluded Account" means (a) each deposit account all or substantially all of the deposits in which consist of amounts utilized to fund payroll, employee benefit or tax obligations of any Loan Party, (b) deposit accounts with an average daily balance of \$500,000 or less in the aggregate among all such accounts, and (c) any fiduciary, trust, suspense, escrow or third-party oil and gas royalty account, provided that in no event shall any of the principal operating accounts of any Loan Party constitute an Excluded Account.

"Excluded Swap Obligation" means, with respect to any Guarantor any Swap Obligation if, and to the extent that, all or a portion of the guarantee by such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Agreement (or any guarantee 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 not to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guarantee of (or grant of such security interest by, as applicable) such Guarantor becomes or would become 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 the swap for which such guarantee or security interest is or becomes illegal.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document, (a) Taxes imposed on or measured by net income (however denominated), state franchise Taxes, and branch profits Taxes, in each case, (i) by the United States of America (or any political subdivision thereof) or such other jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 5.05 or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 5.03, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to any such recipient’s failure to comply with Section 5.03(e), and (d) any United States federal withholding Tax that is imposed under FATCA.

“Executive Order” has the meaning assigned to such term in Section 7.26(a).

“Existing Credit Facilities” means the credit facilities of the Borrower and the Loan Parties pursuant to that certain Credit Agreement, dated as of May 14, 2015, by and among Morgan Stanley Energy Capital Inc., the lenders party thereto, the Borrower and the Parent.

“FATCA” means Sections 1471 through 1474 of the Code, as of the Effective Date (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 practices adopted pursuant to such intergovernmental agreement.

“Facility” means the Commitments and the extensions of credit made thereunder.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means that certain second amended and restated fee letter dated as of April 20, 2018 among the Borrower and the Administrative Agent.

“Financial Officer” means, for any Person, the Chief Executive Officer, Chief Financial Officer, Vice President of Finance, principal accounting officer, treasurer or controller of such Person. Unless otherwise specified, all references herein to a Financial Officer means a Financial Officer of the Borrower.

“fiscal quarter” means each fiscal quarter ending on the last day of each March, June, September and December.

“fiscal year” means each fiscal year of the Borrower and its Subsidiaries for accounting and tax purposes, ending on December 31 of each year.

“Flood Insurance Regulations” means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC § 4001, et seq.), as the same may be amended or recodified from time to time, (d) the Flood Insurance Reform Act of 2004, and (e) the Biggert-Waters Flood Reform Act of 2012, and any regulations promulgated thereunder.

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

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to any Issuing Bank, such Defaulting Lender’s Applicable Percentage of the outstanding LC Exposures other than LC Exposures as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

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

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“Group Members” means the collective reference to Parent, the Borrower and their respective Subsidiaries.

“Guarantee and Collateral Agreement” means an agreement executed by the Loan Parties in substantially the form of Exhibit F-2, as the same may be amended, modified or supplemented from time to time.

“Guarantors” means Parent and each Material Subsidiary (as of the Effective Date and those that guarantee the Secured Obligations pursuant to Section 8.14(b)).

“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 (including drilling fluids and any produced water), crude oil, and any components, fractions, or derivatives thereof; and (c) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, infectious materials 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 Secured 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.

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

“IFRS” means International Financial Reporting Standards (or Australian Accounting Standards, which are substantially the same as International Financial Reporting Standards), including International Accounting Standards and Interpretations together with their accompanying documents, which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the “IASC Foundation”), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation, as in effect from time to time subject to the terms and conditions set forth in Section 1.04.

“Immaterial Subsidiary” means any Subsidiary that is not a Material Subsidiary.

“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 Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a) above, Other Taxes.

“Indemnitee” has the meaning set forth in Section 12.03(b).

“Initial Reserve Report” means the Ryder Scott Company Petroleum Consultants, L.P. reserve report dated January 1, 2018.

“Intercompany Debt” means Debt among Loan Parties which is unsecured and subordinated in right of payment to the payment in full of all of the Secured Obligations in a manner and on terms and conditions reasonably satisfactory to Administrative Agent and is not held, assigned, transferred, negotiated or pledged to any Person other than a Loan Party.

“Intercreditor Agreement” means that certain intercreditor agreement of even date herewith among the Borrower, the Guarantors, the Administrative Agent, as Senior Representative, the Term Agent, as Second Priority Representative, as the same may be amended, modified, supplemented, restated, replaced or otherwise modified from time to time.

“Interest Payment Date” means, (a) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part, and, in the case of a Eurodollar Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (b) with respect to any Base Rate Loan, the last Business Day of each March, June, September and December.

“Interest Period” means 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 or six months thereafter; provided, that (a) 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, (b) 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 and (c) no Interest Period may have a term which would extend beyond the Maturity Date. 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 continuation of such Borrowing.

“Interim Redetermination” has the meaning assigned such term in Section 2.07(b).

“Investment” means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person (including 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 deposit with, or advance, loan or capital contribution to, assumption of Debt of, purchase or other acquisition of any other Debt of 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 ninety (90) days representing the purchase price of goods or services 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 (d) the entering into of any guarantee of, or other contingent obligation (including the deposit of any Equity Interests to be sold) with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

“Issuing Bank” means (a) Natixis, and (b) each Lender approved by the Administrative Agent and reasonably satisfactory to, or requested by, the Borrower that agrees to act as an issuer of Letters of Credit hereunder, in each case, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.08(i). Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“January 1 Reserve Report” has the meaning assigned to such term in Section 8.12(a).

“LC Disbursement” means a payment made by an Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time of determination, the sum of (a) the aggregate amount available to be drawn of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“LC Sublimit” at any time means twenty-five million dollars (\$25,000,000.00).

“Lenders” means the Persons listed on Annex I and any Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

“Letter of Credit” means any letter of credit issued pursuant to this Agreement.

“Letter of Credit Agreements” means all letter of credit applications and other agreements (including any amendments, modifications or supplements thereto) submitted by the Borrower, or entered into by the Borrower, with an Issuing Bank relating to any Letter of Credit.

“LIBO Rate” means, with respect to any Eurodollar Loan for any Interest Period, the greater of (a) 0.00% and (b) the rate (rounded upwards, if necessary, to the next 1/100 of 1%) appearing on the applicable Bloomberg screen (or on any successor or substitute screen of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such screen of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 A.M., London time, two Business Days prior to the commencement of such Interest Period, as the rate for Dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Loan for such Interest Period shall be the rate (rounded upwards, if necessary, to the next 1/100 of 1%) at which Dollar deposits of an amount comparable to such Eurodollar Loan and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent (or such other commercial bank reasonably selected by the Administrative Agent) in immediately available funds in the London interbank market at approximately 11:00 A.M., London time, two Business Days prior to the commencement of such Interest Period.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties. The term “Lien” shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations that burden Property to the extent they secure an obligation owed to a Person other than the owner of the Property. For the purposes of this Agreement, the Loan Parties shall be deemed to be the owner of any Property which they have acquired or hold 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.

“Liquidity” means, as of any date of determination, the sum of (a) the unused aggregate Borrowing Base on such date plus (b) the aggregate amount of Unrestricted Cash and Cash Equivalents of the Parent, the Borrower and their Subsidiaries at such date minus (c) the amount of any Borrowing Base Deficiency on such date.

“Loan Documents” means this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit, the Security Instruments, the Intercreditor Agreement, the Fee Letter and any other agreement entered into, now or in the future, in connection with this Agreement, but for the avoidance of doubt, excluding Swap Agreements and Secured Cash Management Agreements.

“Loan Party” means the Borrower and each Guarantor.

“Loans” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“Majority Lenders” means Lenders holding more than fifty percent (50%) of (i) the outstanding aggregate principal amount of Loans or participation interests in Letters of Credit (without regard to any

sale by a Lender of a participation in any Loan under Section 12.04(c) or (ii) the unused Commitments if no Loans or LC Exposure is outstanding; provided, that (x) at any time when there are three or more Lenders, the Majority Lenders shall also require the consent of at least two Lenders; provided further that the aggregate principal amount of the Commitments and aggregate Credit Exposures of the Defaulting Lenders (if any) shall be excluded from the determination of Majority Lenders.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, Property, assets, liabilities (actual or contingent), condition (financial or otherwise) of the Borrower and the other Loan Parties taken as a whole, (b) the ability of the Loan Parties to perform the obligations under the Loan Documents, (c) the validity or enforceability of any Loan Documents against the Loan Parties, or (d) the rights and remedies of or benefits available to the Administrative Agent, any other Agent, any Issuing Bank or any Lender under any Loan Document.

“Material Indebtedness” means 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 any Loan Party in an aggregate principal amount exceeding \$5,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of any Loan Party in respect of any Swap Agreement at any time shall be the Swap Termination Value.

“Material Subsidiary” means, at any date of determination, each Subsidiary of Parent or the Borrower whose Total Assets at the last day of the period for which financial statements have been delivered under Section 8.01(a) or (b) were equal to or greater than 5% of the Consolidated Total Assets of Parent and the Borrower and the Subsidiaries at such date; provided that if, at any time and from time to time after the Effective Date, Subsidiaries that are not Material Subsidiaries have, in the aggregate Total Assets at the last day of such test period equal to or greater than 10% of the Consolidated Total Assets of Parent and the Borrower and the Subsidiaries at such date determined in accordance with IFRS, then the Borrower shall, on the date on which financial statements for such quarter are delivered pursuant to this Agreement, designate in writing to the Administrative Agent one or more of such Subsidiaries as “Material Subsidiaries” such that, after giving effect to such designation, the aggregate Total Assets of the Subsidiaries that are not Material Subsidiaries do not exceed 10% of the Consolidated Total Assets of Parent and the Borrower and their Subsidiaries at such date.

“Maturity Date” means October 23, 2022.

“Maximum Credit Amount” means, as to each Lender, the amount set forth opposite such Lender’s name on Annex I under the caption “Maximum Credit Amounts”, as the same may be (a) reduced or terminated from time to time in connection with a reduction or termination of the Aggregate Maximum Credit Amounts pursuant to Section 2.06 or (b) modified from time to time pursuant to any assignment permitted by Section 12.04(b). As of the Effective Date, the Aggregate Maximum Credit Amounts of the Lenders are \$250,000,000.

“Minimum Collateral Amount” means, at any time, (i) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 105% of the Fronting Exposure of all Issuing Banks with respect to Letters of Credit issued and outstanding at such time and (ii) if the Borrower agrees to deliver Cash Collateral consisting of Property other than cash or deposit account balances, an amount determined by the relevant Issuing Bank in its sole discretion.

“Money Laundering Law” means any law governing conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership or control of money (including currency or equivalents, e.g., checks, electronic transfers, etc.) to avoid a transaction reporting requirement under state or federal law or to disguise the fact that the money was acquired by illegal means.

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

“Mortgage” means each of the mortgages or deeds of trust executed by any one or more Loan Parties for the benefit of the Secured Parties as security for the Secured Obligations, together with any assumptions or assignments of the obligations thereunder by any Loan Party, and “Mortgages” shall mean all of such Mortgages collectively.

“Mortgaged Property” means any Property owned by any Loan Party 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 3(37) or 4001(a)(3) of ERISA, that is subject to Title IV of ERISA and to which the Borrower, a Subsidiary or an ERISA Affiliate is making or accruing an obligation to make contributions or was obligated to make contributions within the last six (6) years.

“New Borrowing Base Notice” has the meaning assigned to such term in Section 2.07(d).

“New Debt” has the meaning assigned to such term in the definition of “Permitted Refinancing Debt”.

“Non-Consenting Lender” means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all or all affected Lenders in accordance with the terms of Section 12.02 and (ii) has been approved by the Majority Lenders or the Required Lenders, as applicable.

“Non-U.S. Lender” means a Lender, with respect to the Borrower, that is not a U.S. Person.

“Notes” means the promissory notes, if any, 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.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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,

structures, 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 qualified, all references to a “Oil and Gas Property” or to “Oil and Gas Properties” in this Agreement shall refer to the Oil and Gas Properties of the Loan Parties.

“Organizational Documents” means (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to such corporation’s jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means with respect to any Credit Party, Taxes imposed as a result of a present or former connection between such Credit Party and the jurisdiction imposing such Tax (other than connections arising from such Credit Party 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 all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, 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).

“Parent” has the meaning set forth in the preamble hereto.

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

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

“Patriot Act” has the meaning assigned to such term in Section 12.16.

“Payment in Full” has the meaning assigned to such term in Section 12.18(a).

“PBGC” means the Pension Benefit Guaranty Corporation as defined in Title IV of ERISA, or any successor thereto.

“Permitted Refinancing Debt” means Debt (for purposes of this definition, “New Debt”) incurred in exchange for, or proceeds of which are used to refinance, all of any other Debt (the “Refinanced Debt”); provided that (a) such New Debt is in an aggregate principal amount not in excess of the sum of (i) the aggregate principal amount then outstanding of the Refinanced Debt (or, if the Refinanced Debt is exchanged or acquired for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, such lesser amount) and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such exchange or refinancing; (b) such New Debt has a stated

maturity no earlier than the stated maturity of the Refinanced Debt and a weighted average life no shorter than the weighted average life of the Refinanced Debt; (c) such New Debt does not have compensatory economics (including, without limitation, stated interest rate, payment-in-kind interest rates, interest rate floors, make-whole payments, original issue discount, premiums, fees and other similar components of interest or yield) in excess of the same of the Refinanced Debt; (d) such New Debt does not contain any covenants which, taken as a whole, are more onerous to Parent, the Borrower and their Subsidiaries than those imposed by the Refinanced Debt; (e) if such Refinanced Debt was subordinated, such New Debt (and any guarantees thereof) is subordinated in right of payment to the Secured Obligations to at least the same extent as the Refinanced Debt and is otherwise subordinated on terms reasonably satisfactory to the Administrative Agent; and (f) if such Refinanced Debt is the Term Debt, such New Debt is subject to the Intercreditor Agreement or any replacement thereof acceptable to the Majority Lenders.

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

“Petroleum Industry Standards” means the Definitions for Oil and Gas Reserves promulgated by the Society of Petroleum Engineers (or any generally recognized successor) as in effect at the time in question.

“Plan” means any employee pension benefit plan, as defined in section 3(2) of ERISA but excluding any Multiemployer Plan, which (a) is currently or hereafter sponsored, maintained or contributed to by the Borrower, a Subsidiary or an ERISA Affiliate or (b) was at any time during the six calendar years preceding the date hereof, sponsored, maintained or contributed to by the Borrower or a Subsidiary or an ERISA Affiliate.

“Prime Rate” means, on any day, the rate of interest per annum then most recently established by Natixis as its “*prime rate*”. The “*prime rate*” is a rate set by Natixis based upon various factors including Natixis’ costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Natixis shall take effect at the opening of business on the day specified in the public announcement of such change.

“Prohibited Transaction” has the meaning assigned to such term in Section 406 of ERISA and Section 4975(c) of the Code.

“Projections” has the meaning assigned to such term in Section 7.11.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Proposed Borrowing Base” has the meaning assigned to such term in Section 2.07(c)(i).

“Proposed Borrowing Base Notice” has the meaning assigned to such term in Section 2.07(c)(ii).

“Proved Reserves” means oil and gas reserves that, in accordance with Petroleum Industry Standards, are classified as both “Proved Reserves” and one of the following: (a) “Developed Producing Reserves”, (b) “Developed Non-Producing Reserves” or (c) “Undeveloped Reserves”.

“Qualified ECP Guarantor” means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding \$10,000,000 at the time the relevant guaranty agreement or the grant of the relevant Lien becomes effective with respect to such Swap Obligation or such other Person as constitutes an “eligible

contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” at such time by entering into a keepwell under Section 1(a)(18)(A)(v)(ii) of the Commodity Exchange Act.

“RCRA” has the meaning assigned to such term within 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.

“Redetermination Date” means, with respect to any Scheduled Redetermination or any Interim Redetermination, the date that the redetermined Borrowing Base related thereto becomes effective pursuant to Section 2.07(d).

“Refinanced Debt” has the meaning assigned to such term in the definition of “Permitted Refinancing Debt”.

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

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

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives (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.

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

“Removal Effective Date” has the meaning specified in Section 11.06(b).

“Reportable Event” means any of the events described in Section 4043(c) of ERISA or the regulations thereunder other than a Reportable Event as to which the provision of 30 days’ notice to the PBGC is waived under applicable regulations.

“Required Hedges” means Swap Agreements entered into by the Borrower at prices reasonably acceptable to the Administrative Agent on not less than (a) 70% of the reasonably projected production from the Proved Reserves classified as “Developed Producing Reserves” attributable to any Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, through April 2023 as reflected in the Initial Reserve Report and (b) 50% of the reasonably projected production from the Proved Reserves classified as “Developed Producing Reserves” attributable to any Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for a rolling 36 months period thereafter as reflected in the most recently delivered Reserve Report. Notwithstanding the foregoing, if the Borrower and the Required Lenders agree in writing (including by email), then the Required Hedges may instead be Swap Agreements entered into by the Borrower on a percentage of projected production from the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, on terms and conditions (including pricing, percentages, notional volumes, the projections upon which such percentages and notional volumes are based, tenor and other terms and conditions) that are reasonably acceptable to the Required Lenders and agreed to by the Borrower.

“Required Lenders” means, at any time while no Loans or LC Exposure is outstanding, Lenders having at least sixty-six and two thirds percent (66-2/3%) of the Commitments; and at any time while any Loans or LC Exposure is outstanding, Lenders holding at least sixty-six and two thirds percent (66-2/3%) of the outstanding aggregate principal amount of the Loans or participation interests in Letters of Credit (without regard to any sale by a Lender of a participation in any Loan under Section 12.04(c)); provided, that (x) at any time when there are three or more Lenders, the Required Lenders shall also require the consent of at least two Lenders; provided further that the Commitments and participation interests in Letters of Credit of the Defaulting Lenders (if any) shall be excluded from the determination of Required Lenders.

“Reserve Report” means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of the dates set forth in Section 8.12(a) (or such other date in the event of an Interim Redetermination), the Proved Reserves attributable to the Oil and Gas Properties of the Borrower and the other Loan Parties located in the United States of America (which, for the avoidance of doubt, shall be net of any third party interest in such Oil and Gas Properties pursuant to any agreement described in clause (d) of the definition of “Excepted Liens”), 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 economic assumptions consistent with the Administrative Agent’s lending requirements at the time.

“Reserve Report Certificate” has the meaning set forth in Section 8.12(c).

“Responsible Officer” means, as to any Person, the Chief Executive Officer, the President, any Financial Officer or any Vice President of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean 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 Person, 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, conversion, cancellation or termination of any such Equity Interests.

“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.

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

“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 or by the United Nations Security Council, the European Union, any European Union member state or Her Majesty’s Treasury of the United Kingdom, or other relevant sanctions authority, (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 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, the United Nations Security Council, the European Union, any European Union member state, Her Majesty’s Treasury or other relevant sanctions authority.

“Scheduled Redetermination” has the meaning assigned to such term in Section 2.07(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 2.07(d).

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

“Secured Cash Management Agreement” means an agreement related to Cash Management Services between (x) any Loan Party and (y) a Secured Cash Management Provider.

“Secured Cash Management Provider” means, with respect to any agreement related to Cash Management Services, (a) a Lender or an Affiliate of a Lender, (b) the Administrative Agent or an Affiliate of the Administrative Agent or (c) any other counterparty reasonably acceptable to the Administrative Agent who is the counterparty to any such Cash Management Agreement.

“Secured Obligations” means any and all amounts owing or to be owing by any Loan Party (x) to the Administrative Agent, any Issuing Bank or any Lender under any Loan Document, (y) to any Secured Swap Provider or Secured Cash Management Provider and (z) all renewals, extensions and/or rearrangements of any of the foregoing, in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising (including interest accruing after the maturity of the Loans and LC Disbursements and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding); provided that the definition of “Secured Obligations” shall not create or include any guarantee by any Loan Party of (or grant of a security interest by any Loan Party to support, as applicable) any Excluded Swap Obligations of such Loan Party for purposes of determining any obligations of any Loan Party.

“Secured Parties” means, collectively, the Administrative Agent, each Lender, each Issuing Bank, each Secured Cash Management Provider, each Secured Swap Provider, each Indemnatee, each other Agent, and any other Person owed Secured Obligations and “Secured Party” means any of them individually.

“Secured Swap Agreement” means a Swap Agreement between (x) any Loan Party and (y) a Secured Swap Provider.

“Secured Swap Provider” means, with respect to any Swap Agreement, (a) a Lender or an Affiliate of a Lender who is the counterparty to any such Swap Agreement with a Loan Party, (b) any Person who was a Lender or an Affiliate of a Lender at time when such Person entered into any such Swap Agreement who is a counterparty to any such Swap Agreement with a Loan Party and (c) any other counterparty reasonably acceptable to the Administrative Agent.

“Securities Act” means the Securities Act of 1933.

“Security Instruments” means the Guarantee and Collateral Agreement, mortgages, deeds of trust and other agreements, instruments or certificates described or referred to in Exhibit F-1, and any and all other agreements, instruments, consents or certificates now or hereafter executed and delivered by the Borrower, the other Loan Parties or any other Person (other than Swap Agreements with Secured Swap Providers or participation or similar agreements between any Lender and any other lender or creditor with respect to any Secured Obligations pursuant to this Agreement) in connection with, or as security for the payment or performance of the Secured Obligations, the Notes, this Agreement, or reimbursement obligations under the Letters of Credit, as such agreements may be amended, modified, supplemented or restated from time to time.

“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 percentages (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 percentages 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.

“Subsidiary” means as to any Person, a corporation, partnership, limited liability company or other entity of which more than 50% of whose shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a direct or indirect Subsidiary or Subsidiaries of Parent.

“Swap Agreement” means any agreement with respect to any swap, cap, collar, forward, floor, future or derivative transaction or option (including any put or similar contract) 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 (including any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act); 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 Loan Party shall be a Swap Agreement.

“Swap Obligation” means, with respect to any Guarantor, 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.

“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, (a) 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 (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined by the counterparties to such Swap Agreements.

“Synthetic Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with IFRS, 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 imposed by any Governmental Authority.

“Term Agent” means Morgan Stanley Energy Capital Inc., in its capacity as the Administrative Agent together with its successors in such capacity under the Term Credit Agreement or any replacement thereunder or under any Permitted Refinancing Debt thereunder.

“Term Credit Agreement” means that certain Amended and Restated Term Loan Credit Agreement dated as of the date hereof among the Parent, the Borrower, the Term Agent and the Term Lenders party thereto (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time).

“Term Debt” has the meaning assigned to the term “Secured Obligations” under the Term Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“Term Lenders” has the meaning assigned to the term “Lenders” under the Term Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“Term Loan Documents” has the meaning assigned to the term “Loan Documents” under the Term Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

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

“Total Debt” means, at any date, all Debt of Parent, the Borrower and their Subsidiaries on a consolidated basis, other than intercompany Debt.

“Total Assets” means, as of any date of determination with respect to any Person, the amount that would, in conformity with IFRS, be set forth opposite the caption “total assets” (or any like caption) on a balance sheet of such Person at such date.

“Total Proved PV-9” means, as of any date of determination thereof with respect to the Oil and Gas Properties described in the then most recent Reserve Report delivered to the Administrative Agent pursuant to Section 8.12(a), Section 8.12(b) or otherwise, the net present value, discounted at nine percent (9%) per annum, of the future net revenues expected to accrue to the Loan Parties’ collective interest in such Oil and Gas Properties from the date of such determination during the remaining expected economic lives of such Oil and Gas Properties. Each calculation of such expected future net revenues shall be made in accordance with SEC guidelines for reporting proved oil and gas reserves, provided that in any event (a) appropriate deductions shall be made for severance and ad valorem taxes, and for operating, gathering, transportation and marketing costs required for the production and sale of such Oil and Gas Properties, (b) the pricing assumptions used in determining Total Proved PV-9 for any Oil and Gas Properties shall be based upon the Strip Price, adjusted for local basis differentials or premiums and transportation costs and to reflect the Loan Parties’ Swap Agreements then in effect, in each case as determined in the Administrative Agent’s reasonable discretion and (c) the cash-flows derived from the pricing assumptions set forth in clause (b) shall be further adjusted to account for the historical basis differential in a manner reasonably acceptable to the Administrative Agent; provided however, that for purposes of this calculation, no more than 40% of the Total Proved PV-9 shall be attributable to Oil and Gas Properties described in the Reserve Report that constitute Proved Reserves classified as “Developed Non-Producing Reserves” and “Undeveloped Reserves”. The amount of Total Proved PV-9 at any time shall be calculated on a pro forma basis as of the date of any calculation thereof for (i) production and depletion during the period from the “as of” date of the Reserve Report through the date of determination and (ii) dispositions and acquisitions of Oil and Gas Properties with fair market value or consideration in excess of five percent (5%) of the then effective Borrowing Base consummated by the Loan Parties since the date of the Reserve Report most recently delivered hereto; provided that, (A) in the case of any such acquisition, the Administrative Agent shall have

received a Reserve Report evaluating the Proved Reserves attributable to the Oil and Gas Properties subject thereto and (B) that at the Borrower's sole discretion, the amount of Total Proved PV-9 at any time may be calculated on a pro forma basis as of the date of any calculation thereof for acquisition or dispositions with aggregate fair market value or consideration, as applicable, of less than five percent (5%) of the then effective Borrowing Base if, in the case of any such acquisition, the Administrative Agent shall have received a Reserve Report evaluating the Proved Reserves attributable to the Oil and Gas Properties subject thereto. As used herein, "Strip Price" shall mean as of any date of determination, the forward month prices as of the last Business Day of the fiscal year or fiscal quarter of the Parent immediately preceding such date of determination for the most comparable hydrocarbon commodity applicable to such future production month for a four-year period (or such shorter period if forward month prices are not quoted for a reasonably comparable hydrocarbon commodity for the full four year period), with such price held flat for each subsequent year based on the average forward month price for each of the twelve months in such fourth year, as such prices are quoted on the NYMEX (or its successor) as of the date of determination, without future escalation; provided that with respect to estimated future production for which prices are defined, within the meaning of SEC guidelines, by contractual arrangements excluding escalations based upon future conditions, then such contract prices shall be applied to future production subject to such arrangements.

"Transaction Support Agreement" means that certain Transaction Support Agreement, dated as of even date herewith, among Borrower, Pioneer Natural Resources Company, a Delaware corporation, Newpek, LLC, a Delaware limited liability company, and Reliance Holding USA, Inc., a Delaware corporation.

"Transactions" means, (I) with respect to (a) the Borrower, the execution, delivery and performance by the Borrower of this Agreement, each other Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder, the Borrower's grant of the security interests and provision of collateral under the Security Instruments and Borrower's grant of Liens on Mortgaged Properties (if applicable) and other Properties pursuant to the Security Instruments and (b) each other Loan Party, the execution, delivery and performance by such Loan Party of each Loan Document to which it is a party, the guaranteeing of the Secured Obligations and the other obligations under the Guarantee and Collateral Agreement by such Loan Party and such Loan Party's grant of the security interests and provision of collateral under the Security Instruments, and the grant of Liens by such Guarantor on Mortgaged Properties (if applicable) and other Properties pursuant to the Security Instruments and (II) the Acquisition pursuant to the terms of the Acquisition PSA.

"TSA Bonds" means the Performance Bonds issued on behalf of Borrower in favor of Pioneer Natural Resources Company, a Delaware corporation, Newpek, LLC, a Delaware limited liability company, or Reliance Holding USA, Inc., a Delaware corporation, under and in accordance with the Transaction Support Agreement.

"TSA Indemnity Agreements" means any indemnity agreements entered into by any Loan Party in favor of Philadelphia Indemnity Insurance Company, as surety, in respect of the TSA Bonds.

"Type" means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Loan.

"Unrestricted Cash" means cash and Cash Equivalents of the Parent, the Borrower and their Subsidiaries that would not appear as "restricted" on a consolidated balance sheet of the Parent, Borrower and their Subsidiaries.

"U.S. Person" means a Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned to such term in Section 5.03(g)(ii)(B)(3).

“Vitol Prepayment Contract” means that certain purchase contract (contract no. 3131601), dated as of July 31, 2017, pursuant to which the Borrower, as seller, has agreed to sell certain volumes of crude oil to Vitol, Inc., Crude Oil Marketing Division, USA, as buyer, together with that certain Prepayment Addendum to Purchase Contract dated of even date.

“Vitol Prepayments” has the meaning set forth in Section 7.23.

“Withholding Agent” means any Loan 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 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” shall be deemed to be followed by the phrase “without limitation”, and the word “or” is not exclusive. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument, certificate, organizational document or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Loan Documents), (b) 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, (c) 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), (d) 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, (e) with respect to the determination of any time period, the word “from” means “from and including” and the word “to” and “until” means “to but excluding” and the word “through” means “to and including” and (f) 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 1.04 Accounting Terms and Determinations; IFRS. 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 IFRS, applied on a basis consistent with the initial financial statements delivered under Section 8.01, except for changes in which Parent’s independent certified public accountants concur and which are disclosed to the Administrative Agent on the next date on which financial statements are required to be delivered to the Lenders pursuant to Section 8.01(a); provided that, unless the Borrower and the Majority Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants contained herein is computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods.

Section 1.05 Timing of Payment or Performance. If the day specified in this Agreement for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

ARTICLE II THE CREDITS

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make revolving credit loans to the Borrower during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Credit Exposure exceeding such Lender's Commitment or (ii) the total Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, including, without limitation, Section 3.04, the Borrower may borrow, repay and reborrow the Loans.

Section 2.02 Loans and Borrowings.

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

(b) Eurodollar Loans. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) Minimum Amounts; Limitation on Number of Borrowings. At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing under the Commitments shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000. There shall not at any time be more than a total of seven (7) Eurodollar Borrowings outstanding. Base Rate Loans shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to continue, any Eurodollar Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

(d) Notes. If requested by a Lender, the Loans made by such Lender shall each be evidenced by a single Note of the Borrower, dated, in the case of (i) any Lender party hereto as of the date of this Agreement, as of the date of this Agreement or (ii) any Lender that becomes a party hereto pursuant to an Assignment and Assumption, as of the effective date of the Assignment and Assumption, payable to such Lender in a principal amount equal to its Maximum Credit Amount as in effect on such date, and otherwise duly completed. Upon request from a Lender and upon the return of the Note issued to it, or in the case of any loss, theft or destruction of any such Note, a lost note affidavit in customary form, in the event that any such Lender's Maximum Credit Amount increases or decreases for any reason (whether pursuant to Section 2.06, Section 12.04(b) or otherwise), the Borrower shall deliver or cause to be delivered on the effective date of such increase

or decrease, a new Note payable to such Lender in a principal amount equal to its Maximum Credit Amount after giving effect to such increase or decrease, and otherwise duly completed. The date, amount, interest rate and, if applicable, Interest Period of each Loan made by such Lender, and all payments made on account of the principal thereof, shall be recorded by such Lender on its books for its Note, and, prior to any transfer, may be recorded by such Lender on a schedule attached to such Note or any continuation thereof or on any separate record maintained by such Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of its Note. Upon request of the Borrower, promptly following Payment in Full, each Lender shall return to the Borrower any Note issued to it, or in the case of any loss, theft or destruction of any such Note, a lost note affidavit in customary form.

Section 2.03 Requests for Borrowings. To request a Borrowing or any conversion or continuation of any Borrowing, the Borrower shall notify the Administrative Agent of such request in writing or other electronic communication acceptable to the Administrative Agent, not later than 12:00 noon, New York City time, at least (a) three (3) Business Days prior to the requested date of any Borrowing of, conversion to or continuation of Eurodollar Loans or of any conversion of Eurodollar Loans to Base Rate Loans and (b) one (1) Business Day prior to the requested date of any Borrowing of Base Rate Loans; provided that, in each case, no such notice shall be required for any deemed request of a Borrowing to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e). Each such Borrowing Request shall be irrevocable and shall be a written Borrowing Request in substantially the form of Exhibit B and signed by the Borrower. Each such Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) whether the Borrower is requesting a Borrowing, a conversion of Loans from one Type of Loan to the other, or a continuation of Eurodollar Loans;
- (ii) the principal amount of Loans to be borrowed, converted or continued;
- (iii) the Type of Loans to be borrowed or to which existing Loans are to be converted;
- (iv) the date of such Borrowing, conversion or continuation, as the case may be, which shall be a Business Day;
- (v) if applicable, the duration of the Interest Period with respect thereto;
- (vi) the amount of the then effective Borrowing Base, the current total Credit Exposures (without regard to the requested Borrowing) and the pro forma total Credit Exposures (giving effect to the requested Borrowing);
- (vii) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

Each Borrowing Request shall constitute a representation that the amount of the requested Borrowing shall not cause the total Credit Exposures to exceed the total Commitments (i.e., the lesser of the Aggregate Maximum Credit Amounts and the then effective Borrowing Base). If the Borrower fails to specify a Type of Loan in a Borrowing Request, then the applicable Loans shall be made as Eurodollar Loans with a one-month Interest Period, provided, that such Borrowing Request, is received by Administrative Agent not later than 11:00 a.m. at least three (3) Business Days prior to the requested date of such Borrowing or any conversion or continuation of any Borrowing. If such notice is not received in

accordance with the proviso in the preceding sentence, then such Loans shall be made as Base Rate Loans. If the Borrower fails to give timely notice requesting a conversion or continuation, then the applicable Loans shall be made as, or converted to, Eurodollar Loans with a one-month Interest Period. Any such automatic conversion to Base Rate Loans or Eurodollar Loans with a one-month Interest Period, as applicable, shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Loans. If the Borrower requests a Borrowing or any conversion or continuation of any Borrowing in any such Borrowing Request, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month.

Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04 [Reserved].

Section 2.05 Funding of Borrowings.

(a) Funding by the Lenders. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 2:00 P.M., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make all such requested Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request; provided that Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank. Nothing herein shall be deemed to obligate any Lender to obtain the funds for its Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for its Loan in any particular place or manner.

(b) Presumption of Funding by the Lenders. Unless the Administrative Agent shall have received written notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.05(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to the Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.06 Termination and Reduction of Aggregate Maximum Credit Amounts.

(a) Scheduled Termination of Commitments. Unless previously terminated, the Commitments shall terminate on the Maturity Date. If at any time the Aggregate Maximum Credit Amounts are terminated by the Borrower, then the Commitments shall terminate on the effective date of such termination or reduction.

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

(i) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Maximum Credit Amounts; provided that (A) each reduction of the Aggregate Maximum Credit Amounts shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (B) the Borrower shall not terminate or reduce the Aggregate Maximum Credit Amounts if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.04(b), the total Credit Exposures would exceed the total Commitments.

(i i) The Borrower shall notify the Administrative Agent in writing of any election to terminate or reduce the Aggregate Maximum Credit Amounts under Section 2.06(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 Lenders of the contents thereof. Any election by the Borrower to terminate or reduce the Aggregate Maximum Credit Amounts pursuant to a notice delivered by the Borrower pursuant to this Section 2.06(b)(ii) may be made to be contingent upon the consummation of a refinancing, effectiveness of other credit facilities or another transaction and such notice may otherwise be extended or revoked, in each case, with the requirements of Section 5.02 to apply to any failure of the contingency to occur and any such extension or revocation. Any termination or reduction of the Aggregate Maximum Credit Amounts shall be permanent and may not be reinstated. Each reduction of the Aggregate Maximum Credit Amounts shall be made ratably among the Lenders in accordance with each Lender's Applicable Percentage.

Section 2.07 Borrowing Base.

(a) Initial Borrowing Base. For the period from and including the Effective Date to but excluding the next Redetermination Date, the amount of the Borrowing Base shall be \$87,500,000. 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 on a semi-annual basis, in each case in accordance with this Section 2.07 (a "Scheduled Redetermination"). Subject to Section 2.07(d), such redetermined Borrowing Base shall become effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders on the first Business Day of May and November of each year (commencing with the first Scheduled Redetermination anticipated to occur on the first Business Day of November, 2018), as applicable. In addition, the Borrower may, by notifying the Administrative Agent in writing thereof, and the Administrative Agent may, at the direction of the Required Lenders, by notifying the Borrower in writing thereof, one time in between (i) the Effective Date and the initial Scheduled Redetermination and (ii) subsequent Scheduled Redeterminations, each elect to cause the Borrowing Base to be redetermined between Scheduled Redeterminations (an "Interim Redetermination") in accordance with this Section 2.07.

(c) Each Scheduled Redetermination and each Interim Redetermination shall be effectuated as follows:

(i) Upon receipt by the Administrative Agent of (A) the Reserve Report and the Reserve Report Certificate and (B) such other reports, data and supplemental information, including, without limitation, the information provided pursuant to Section

8.01 (as applicable) and Section 8.12, as may, from time to time, be reasonably requested by the Administrative Agent or the Required Lenders (the Reserve Report, such certificate and such other reports, data and supplemental information being the “Engineering Reports”), the Administrative Agent shall evaluate the information contained in the Engineering Reports and shall, in its sole discretion, propose a new Borrowing Base (the “Proposed Borrowing Base”) based upon any 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, including, without limitation, the Term Debt) as the Administrative Agent deems appropriate in its sole discretion and consistent with its normal and customary oil and gas lending criteria as it exists at the particular time. In no event shall the Proposed Borrowing Base exceed the Aggregate Maximum Credit Amounts.

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

(A) in the case of a Scheduled Redetermination (1) if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) in a timely and complete manner, then on or before the 15th day following the date of delivery (or such later date, within 30 days thereof, to which the Borrower and the Administrative Agent agree) or (2) if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) 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 2.07(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 (unless otherwise agreed by the Borrower).

(iii) Decisions regarding the amount of the Borrowing Base will be made at the sole credit discretion of the Lenders in accordance with such Lenders’ normal and customary standards and practices for determining the value of Oil and Gas Properties in connection with reserve based oil and gas transactions consistently applied together with its other usual and customary criteria for reserve based lending as they exist from time to time (including, without limitation, the assets, liabilities, cash flow, business, properties, prospects, management and ownership of the Borrower and the effect of hedging arrangements). Any Proposed Borrowing Base that would (A) increase the Borrowing Base then in effect must be approved by all Lenders (other than Defaulting Lenders) and (B) decrease or maintain the Borrowing Base then in effect must be approved or be deemed to have been approved by the Required Lenders, in each case, as provided in this Section 2.07(c)(iii). Upon receipt of the Proposed Borrowing Base Notice, each 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) day period, in the case of a Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, a Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be an approval of such Proposed Borrowing Base. If, at the end of such fifteen (15) day period, all of the Lenders (other than Defaulting Lenders), in the case of a Proposed Borrowing Base that would increase the Borrowing Base then in effect, or the Required

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 Borrowing Base, effective on the date specified in Section 2.07(d). If, however, at the end of such fifteen (15) day period, all of the Lenders (other than Defaulting Lenders) or the Required Lenders, as applicable, have not approved or deemed to have approved the Proposed Borrowing Base as indicated above, then the Administrative Agent shall promptly thereafter poll the Lenders to ascertain the highest Borrowing Base then acceptable to all of the Lenders (in the case of any increase to the Borrowing Base) or a number of Lenders sufficient to constitute the Required Lenders (in any other case) and such amount shall become the new Borrowing Base, effective on the date specified in Section 2.07(d).

(d) Effectiveness of a Redetermined Borrowing Base. Subject to Section 2.07(e), after a redetermined Borrowing Base is approved or is deemed to have been approved by all of the Lenders (other than Defaulting Lenders) or the Required Lenders, as applicable, pursuant to Section 2.07(c)(iii), the Administrative Agent shall notify the Borrower and the 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 Lenders:

(i) in the case of a Scheduled Redetermination, (A) 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 May 1st and November 1st of each year, as applicable (or such later time as (x) the Borrower may agree upon request of the Administrative Agent or (y) the Required Lenders may agree upon the request of the Borrower), as applicable, following such notice, or (B) 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 on the Business Day next succeeding delivery of such New Borrowing Base Notice; and

(i i) in the case of an Interim Redetermination, on the Business Day next succeeding delivery of such New Borrowing Base 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 under the Borrowing Base Adjustment Provisions, whichever occurs first; provided that within three (3) Business Days after delivery of the New Borrowing Base Notice for any redetermination of the Borrowing Base, the Borrower may, by written notice to the Administrative Agent, elect to have the Borrowing Base be an amount lower than that determined by the Lenders until the next Scheduled Redetermination Date, the next Interim Redetermination Date or the next adjustment to the Borrowing Base under the Borrowing Base Adjustment Provisions, whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination or Interim Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

(e) Borrower’s Right to Elect Reduced Borrowing Base. Within three(3) Business Days of its receipt of a New Borrowing Base Notice, the Borrower may provide written notice to the Administrative Agent and the Lenders that specifies for the period from the effective date of the New Borrowing Base Notice until the next succeeding Scheduled Redetermination Date, the Borrowing Base will be a lesser amount than the amount set forth in such New Borrowing Base Notice, whereupon such specified lesser

amount will become the new Borrowing Base. The Borrower's notice under this Section 2.07(d) shall be irrevocable, but without prejudice to its rights to initiate Interim Redeterminations.

Section 2.08 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of dollar denominated Letters of Credit for its own account or for the account of any other Loan Party, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the period from the Effective Date until the day which is five (5) Business Days prior to the Maturity Date; provided that the Borrower may not request the issuance, amendment, renewal or extension of Letters of Credit hereunder if a Borrowing Base Deficiency exists at such time or would exist as a result thereof. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the applicable Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the applicable Issuing Bank and the Administrative Agent (not less than three (3) Business Days in advance of the requested date of issuance, amendment, renewal or extension or such shorter period as the Issuing Bank may agree) a notice:

(i) requesting the issuance of a Letter of Credit or identifying the Letter of Credit to be amended, renewed or extended;

(i i) specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day);

(i i i) specifying the date on which such Letter of Credit is to expire (which shall comply with Section 2.08(c));

(i v) specifying the amount of such Letter of Credit;

(v) specifying the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit; and

(v i) specifying the amount of the then effective Borrowing Base and whether a Borrowing Base Deficiency exists at such time, the current total Credit Exposures (without regard to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit) and the pro forma total Credit Exposures (giving effect to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit).

Each notice shall constitute a representation that after giving effect to the requested issuance, amendment, renewal or extension, as applicable, (i) the LC Exposure shall not exceed the LC Sublimit and (ii) the total Credit Exposures shall not exceed the total Commitments (i.e. the lesser of the Aggregate Maximum Credit Amounts and the then effective Borrowing Base).

If requested by the applicable Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit and shall guarantee the reimbursement of any Letter of Credit issued hereunder.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension of a Letter of Credit, one year after such renewal or extension), in each case unless consented to by the relevant Issuing Bank and the Administrative Agent, and (ii) the date that is five Business Days prior to the Maturity Date. If the Borrower so requests, the Issuing Bank shall agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the relevant Issuing Bank to prevent any such extension at least once in each 12-month period (commencing with the date of issuance of such Letter of Credit and in no event extending beyond the date that is five Business Days prior to the Maturity Date unless Cash Collateralized or backstopped in a manner reasonably acceptable to the Administrative Agent and the applicable Issuing Bank) by giving prior notice to the beneficiary thereof not later than a day (the "Non-extension Notice Date") in each such 12-month period to be mutually agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the relevant Issuing Bank, the Borrower shall not be required to make a specific request to the relevant Issuing Bank for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized (but may not require) the relevant Issuing Bank to permit the extension of such Letter of Credit at any time to an expiry date not later than the date that is five Business Days prior to the Maturity Date; provided that the relevant Issuing Bank shall not permit any such extension if (A) the relevant Issuing Bank has determined that it would have no obligation at such time to issue such Letter of Credit in its extended form under the terms hereof, or (B) it has received notice (which may be by telephone or in writing) on or before the day that is seven Business Days before the Non-extension Notice Date from the Administrative Agent any Lender or the Borrower that one or more of the applicable conditions specified in Section 6.02 is not then satisfied or waived.

(d) Participations. 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 applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.08(e), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.08(d) 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, the existence of a Borrowing Base Deficiency or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 2:00 P.M., New York City time, on the Business Day immediately following the later of the Business Day on which such LC Disbursement is made and the Business Day the Borrower receives notice thereof;

provided that, unless the Borrower has notified the relevant Issuing Bank and Administrative Agent that it will, and does, reimburse such LC Disbursement by the required date and time, the Borrower shall, subject to the conditions to Borrowing set forth herein, be deemed to have requested, and the Borrower does hereby request under such circumstances, that such payment be financed with a Base Rate Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting Base Rate Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this Section 2.08(e), the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this Section 2.08(e) to reimburse the applicable Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.08(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Agreement or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not substantially comply with the terms of such Letter of Credit or any Letter of Credit Agreement, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.08(f), constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of any Issuing Bank; provided that the foregoing shall not be construed to excuse the applicable Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence, bad faith or willful misconduct on the part of the applicable Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised all requisite care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or

information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The applicable Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The applicable Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy or other electronic transmission) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the applicable Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, until the Borrower shall have reimbursed such Issuing Bank for such LC Disbursement (either with its own funds or a Borrowing under Section 2.08(e)), the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to Base Rate Loans. Interest accrued pursuant to this Section 2.08(h) shall be for the account of such Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 2.08(e) to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. An Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.05(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall also be deemed to refer to such successor. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization.

(i) If any Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Majority Lenders under the Facility demanding the deposit of cash collateral pursuant to this Section 2.08(j), then the Borrower shall deposit, in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Secured Parties, an amount in cash equal to the LC Exposure. If the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c), the Borrower shall deposit in such an account an amount equal to the amount of such excess as provided in Section 3.04(c), as of such date plus any accrued and unpaid interest thereon. The obligation to deposit such cash collateral pursuant to the two preceding sentences shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the

occurrence of any Event of Default with respect to the Borrower or any Subsidiary described in Section 10.01(h) or Section 10.01(i).

(i i) At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or any Issuing Bank (with a copy to the Administrative Agent) the Borrower shall Cash Collateralize the Issuing Banks' Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to Section 4.05(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount.

(A) Grant of Security Interest. The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Banks, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' LC Exposure, to be applied pursuant to clause (b) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Banks as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(B) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.08(j) or Section 4.05 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's LC Exposure (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(C) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce any Issuing Bank's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.08(j) following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender) or (ii) the determination by the Administrative Agent and each Issuing Bank that there exists excess Cash Collateral; provided that, subject to Section 4.05 the Person providing Cash Collateral and each Issuing Bank may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations and provided further that to the extent that such Cash Collateral was provided by the Borrower, such Cash Collateral shall remain subject to the security interest granted pursuant to the Loan Documents.

ARTICLE III PAYMENTS OF PRINCIPAL AND INTEREST; PREPAYMENTS; FEES

Section 3.01 Repayment of Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Termination Date.

Section 3.02 Interest.

(a) Loans. Eurodollar Loans shall bear interest at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate. Base Rate Loans shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(b) Post-Default and Borrowing Base Deficiency Rate. Notwithstanding the foregoing, (i) immediately upon the occurrence and during the continuance of an Event of Default under Section 10.1(a), (b), (h) or (i), or (ii) at the election of the Majority Lenders (or the Administrative Agent at the direction of the Majority Lenders), upon the occurrence and during the continuance of any other Event of Default, all outstanding amounts hereunder and under any other Loan Document shall bear interest, after as well as before judgment, at the rate then applicable to such amount payable (including the Applicable Margin, as applicable) plus an additional two percent (2.0%), but in no event to exceed the Highest Lawful Rate.

(c) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and on the Maturity Date; provided that (i) interest accrued pursuant to Section 3.02(b) shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) Interest Rate Computations. All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBO Rate), will be made 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). All other interest hereunder 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 in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable 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 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate for such Interest Period;

(b) the Administrative Agent is advised by the Majority Lenders that the Adjusted LIBO Rate or LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period; or

(c) the Administrative Agent is advised by a Lender that it has become unlawful for such Lender or its applicable lending office to honor its obligation to make or maintain Eurodollar Loans;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, such Borrowing shall be made at an alternate rate of interest reasonably determined by the Majority Lenders or the applicable Lender(s) (in the case of clause (c)), in consultation with the Borrower, as their cost of funds. If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in Section 3.03(a) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 3.03(a) have not arisen but the supervisor for the administrator of the LIBO Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent, in consultation with the Majority Lenders and the Borrower, shall endeavor in good faith to establish an alternate rate of interest to the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and the Borrower and the Administrative Agent shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable and reasonably acceptable to the Borrower. Notwithstanding anything to the contrary in Section 12.02, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Majority Lenders stating that such Majority Lenders object to such amendment.

Section 3.04 Prepayments.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with Section 3.04(b).

(b) Notice and Terms of Optional Prepayment. The Borrower shall notify the Administrative Agent in writing of any prepayment hereunder, not later than 12:00 noon, New York City time, three Business Days before the date of prepayment (or such shorter period as the Administrative Agent may agree). Each such notice shall be irrevocable and shall specify the prepayment date, the principal amount of each Borrowing or portion thereof to be prepaid and the Type(s) of Borrowing to be prepaid; provided any notice of prepayment pursuant to a notice delivered by the Borrower pursuant to this Section 3.04(b) may be made to be contingent upon the consummation of a refinancing, effectiveness of other credit facilities or another transaction and such notice may otherwise be extended or revoked, in each case, with the requirements of Section 5.02 to apply to any failure of the contingency to occur and any such extension or revocation. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.02 and any amounts due under Section 5.02.

(c) Mandatory Prepayments of Loans.

(i) Upon Optional Terminations and Reductions. If, after giving effect to any termination or reduction of the Aggregate Maximum Credit Amounts pursuant to Section 2.06(b), there is a Borrowing Base Deficiency, then the Borrower shall (A) prepay the Loans on the date of such termination or reduction in an aggregate principal amount equal

to such Borrowing Base Deficiency, and (B) if any Borrowing Base Deficiency remains after prepaying all of the Loans as a result of LC Exposure, Cash Collateralize such remaining deficiency as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of Cash Collateral substantially concurrently with the effectiveness of such termination or reduction.

(ii) Upon Redeterminations. Upon any redetermination of the Borrowing Base pursuant to Section 2.07(b), if there is a Borrowing Base Deficiency, then the Borrower shall, within 10 Business Days after its receipt of a New Borrowing Base Notice or effectiveness of the new Borrowing Base which results in such Borrowing Base Deficiency, as the case may be, inform the Administrative Agent of the Borrower's election to:

(A) within 30 days following its receipt of such New Borrowing Base Notice or effectiveness of the new Borrowing Base (1) prepay the Loans in an aggregate principal amount equal to such Borrowing Base Deficiency and (2) if any Borrowing Base Deficiency remains after prepaying all of the Loans as a result of any LC Exposure, Cash Collateralize such excess as provided in Section 2.08(j),

(B) prepay the Loans in five equal monthly installments, commencing on the 30th day following its receipt of such New Borrowing Base Notice or effectiveness of the new Borrowing Base with each payment being equal to 1/5th of the aggregate principal amount of the Borrowing Base Deficiency,

(C) within 30 days following its receipt of such New Borrowing Base Notice or effectiveness of the new Borrowing Base, provide additional collateral in the form of additional Oil and Gas Properties not evaluated in the most recently delivered Reserve Report or other collateral reasonably acceptable to the Administrative Agent having a Borrowing Base value (as proposed by the Administrative Agent and approved by the Required Lenders) sufficient, after giving effect to any other actions taken pursuant to this Section 3.04(c) to eliminate any such excess, or

(D) undertake a combination of clauses (A), (B) and (C).

provided that, notwithstanding the options set forth above, in all cases, the Borrowing Base Deficiency must be eliminated on or prior to the Maturity Date. If, because of LC Exposure, a Borrowing Base Deficiency remains after prepaying all of the Loans, the Borrower shall Cash Collateralize such remaining Borrowing Base Deficiency as provided in Section 2.08(j).

(iii) Upon Borrowing Base Adjustments. Upon any adjustment to the amount of the Borrowing Base pursuant to the Borrowing Base Adjustment Provisions, if there is a Borrowing Base Deficiency, then the Borrower shall (A) prepay the Loans on the date of such Borrowing Base adjustment in an aggregate principal amount equal to such Borrowing Base Deficiency, and (B) if any Borrowing Base Deficiency remains after prepaying all of the Loans as a result of LC Exposure, Cash Collateralize such remaining deficiency as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of Cash Collateral substantially concurrently with the effectiveness of such Borrowing Base adjustment.

(d) Premium or Penalty. Prepayments of Loans permitted or required under this Section 3.04 shall be without premium or penalty, except as required under Section 5.02.

(e) Application of Prepayments. Each prepayment of Eurodollar Loans pursuant to Section 3.04 shall be applied ratably to any Eurodollar Borrowings then outstanding, and if more than one Eurodollar Borrowing is then outstanding, to each such Eurodollar Borrowing in order of priority beginning with the Eurodollar Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurodollar Borrowing with the most number of days remaining in the Interest Period applicable thereto.

(f) Interest to be Paid with Prepayments. Prepayments pursuant to this Section 3.04 shall be accompanied by accrued interest to the extent required by Section 3.02.

Section 3.05 Fees.

(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Lender (other than a Defaulting Lender to the extent set forth in Section 4.05) a commitment fee, which shall accrue at the applicable Commitment Fee Rate on the average daily amount of the unused amount of the Commitment of such Lender (determined taking into account both Loans and LC Exposure) during the period from and including the date of this Agreement to but excluding the Maturity Date. Accrued commitment fees shall be payable in arrears on the last Business Day of March, June, September and December of each year and on the Maturity Date, commencing on the first such date to occur after the date hereof. 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) Letter of Credit Fees. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender (other than a Defaulting Lender to the extent set forth in Section 4.05) a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Margin used to determine the interest rate applicable to Eurodollar Loans (as such rate may be increased pursuant to Section 3.02(b)) on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements that has been funded by such Lender) during the period from and including the date of this Agreement to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, (ii) to each applicable Issuing Bank a fronting fee in an amount equal to 0.150% multiplied by the face amount of such Letter of Credit on the average daily amount of the LC Exposure attributable to such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date of this Agreement to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure and (iii) to each Issuing Bank, for its own account, its standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued to but excluding the last Business Day of March, June, September and December of each year shall be payable on such last Business Day, commencing on the first such date to occur after the date of this Agreement; provided that all such fees shall be payable on the Maturity Date and any such fees accruing after the Maturity Date shall be payable on demand. Any other fees payable to any Issuing Bank pursuant to this Section 3.05(b) shall be payable within 10 days after demand. All participation fees and fronting 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).

(c) 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 separately agreed upon between the Borrower and the Administrative Agent.

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

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

(a) Payments by the Borrower. The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 5.01, Section 5.02, Section 5.03 or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without defense, deduction, recoupment, set-off or counterclaim. Fees, once paid, shall be fully earned and shall not be refundable under any circumstances. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices specified in Section 12.01 or as otherwise directed by the Administrative Agent, except payments to be made directly to the applicable Issuing Bank as expressly provided herein and except that payments pursuant to Section 5.01, Section 5.02, Section 5.03 and Section 12.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(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, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) 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 (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) Sharing of Payments by Lenders. If, other than as provided elsewhere herein, 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 LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements 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 LC Disbursements 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 LC Disbursements; provided that (i) 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 (ii) 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 LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate 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 Presumption of Payment by the Borrower. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders and/or any applicable Issuing Bank that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders and/or any applicable Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders and/or any applicable Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 4.03 Certain Deductions by the Administrative Agent. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(a), Section 2.08(d), Section 2.08(e) or Section 4.02 then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), 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. If at any time prior to the acceleration or maturity of the Loans, the Administrative Agent shall receive any payment in respect of principal of a Loan or a reimbursement of an LC Disbursement while one or more Defaulting Lenders shall be party to this Agreement, the Administrative Agent shall apply such payment first to the Borrowing(s) for which such Defaulting Lender(s) shall have failed to fund its pro rata share until such time as such Borrowing(s) are paid in full or each Lender (including each Defaulting Lender) is owed its Applicable Percentage of all Loans then outstanding. After acceleration or maturity of the Loans, all principal will be paid ratably as provided in Section 10.02(c).

Section 4.04 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 Secured Parties 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 Secured 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, (a) 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 or another Loan Party and (b) 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 Loan Party.

Section 4.05 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Majority Lenders or Required Lenders, as applicable.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article X or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 12.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Bank hereunder; third, to Cash Collateralize the Issuing Banks' Fronting Exposure with respect to such Defaulting Lender in accordance with Section 2.08(j); fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the Issuing Banks' future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.08(j); sixth, to the payment of any amounts owing to the Lenders or the Issuing Bank as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuing Banks against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 6.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and LC Disbursements owed to, all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender until such time as all Loans and LC Exposure is held by the Lenders pro rata in accordance with the Commitments under the Facility without giving effect to Section 4.05(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 4.05(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any commitment fee pursuant to Section 3.05(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive letter of credit fees pursuant to Section 3.05(b) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its LC Exposure for which it has provided Cash Collateral pursuant to Section 2.08(j).

(C) With respect to any fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (x) pay to each non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's LC Exposure that has been reallocated to such non-Defaulting Lender pursuant to clause (iv) below, (y) pay to each Issuing Bank the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Bank's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's LC Exposure shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 6.02 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Credit Exposure of any non-Defaulting Lender to exceed such non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a non-Defaulting Lender as a result of such non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, Cash Collateralize the Issuing Banks' Fronting Exposure in accordance with the procedures set forth in Section 2.08(j).

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and each Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held pro rata by the Lenders in accordance with the Commitments under the Facility (without giving effect to Section 4.05(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no

change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Letters of Credit. So long as any Lender is a Defaulting Lender, no Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

ARTICLE V
INCREASED COSTS; BREAK FUNDING PAYMENTS; TAXES

Section 5.01 Increased Costs.

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

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

(i i) subject any Credit Party 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; or

(i i i) impose on any Lender or any 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;

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

(b) Capital and Liquidity Requirements. If any Lender or Issuing Bank determines that any Change in Law affecting such Lender or Issuing Bank or any lending office of such Lender or such Lender's or Issuing Bank's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or Issuing Bank's capital or on the capital of such Lender's or Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by any Issuing Bank, to a level below that which such Lender or Issuing Bank or such Lender's or Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or Issuing Bank's policies and the policies of such Lender's or Issuing Bank's holding company with respect to capital adequacy or liquidity), then from time to time the Borrower will pay to such Lender or Issuing Bank, as the case may be, such additional amount or

amounts as will compensate such Lender or Issuing Bank or such Lender's or Issuing Bank's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or Issuing Bank or its holding company, as the case may be, as specified in Section 5.01(a) or (b) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or Issuing Bank to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's or Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or Issuing Bank pursuant to this Section 5.01 for any increased costs or reductions incurred more than nine months prior to the date that such Lender or Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or Issuing Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 5.02 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the failure to borrow, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, or (c) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 5.04 then, in any such event and upon the request of any Lender, the Borrower shall compensate such Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for Dollar deposits of a comparable amount and period from other banks in the eurodollar market.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 5.02 and demonstrating, in reasonable detail, the computation of such amount or amounts shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 5.03 Taxes.

(a) Defined Terms. For purposes of this Section 5.03, Section 5.04 and Section 5.05, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good

faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment 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, then the sum payable by the applicable Loan Party shall be increased as necessary so that, after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 5.03), the applicable Credit Party receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay 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.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Credit Party, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 5.03) payable or paid by such Credit Party or required to be withheld or deducted from a payment to such Credit Party and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified 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 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, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.04(c) relating to the maintenance of a Participant Register, and (iii) 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 paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 5.03, such Loan 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.

(g) Status of Lenders. (1) 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 Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation

reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative 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(g)(ii)(A), (ii)(B) and (ii)(D) 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.

(i) 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 Borrower and the Administrative 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 Borrower or the Administrative Agent), executed originals of IRS Form W-9 (or any successor form) certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Non-U.S. 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 originals of IRS Form W-8BEN or W-BEN-E, as applicable (or any successor form) 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 W-BEN-E, as applicable (or any successor form) 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;

(2) executed originals of IRS Form W-8ECI (or any successor form);

(3) in the case of a Non-U.S. 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 H-1 to the effect that such Non-U.S. 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 881(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 originals of IRS Form W-8BEN (or any successor form); or

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

(C) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals 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 Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail 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 Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative 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 Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their 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 clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

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 Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.03 (including by the payment of additional amounts pursuant to this Section 5.03), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 5.03 with respect to the Taxes

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

(i) Survival. Each party's obligations under this Section 5.03 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Documents.

Section 5.04 Designation of Different Lending Office. If any Lender requests compensation under Section 5.01, or requires the Borrower to pay any Indemnified Taxes or additional amounts 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 (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or Section 5.03, as the case may be, in the future and (ii) 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 any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any Indemnified Taxes or additional amounts 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 if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.04(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 5.01 or Section 5.03) and obligations under this Agreement and the related Loan Documents to a replacement bank, financial institution or other institutional lender that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 12.04, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, and under the other Loan Documents (including any amounts under Section 5.02), 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), (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, (iv) such assignment does not

conflict with applicable law; and (v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent. A Lender shall not be required to make any such assignment or 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.

ARTICLE VI CONDITIONS PRECEDENT

Section 6.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02):

(a) 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.

(b) 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 the Security Instruments, including the Guarantee and Collateral Agreement, and except in cases where no signature is required, the other Security Instruments described on Exhibit F-1. In connection with the execution and delivery of the Security Instruments, the Administrative Agent shall be reasonably satisfied that the Security Instruments create first priority Liens that may be perfected upon recordation of properly completed financing statements and the Security Instruments in the appropriate filing offices therefor (except that Excepted Liens identified in clauses (a) to (d) and (f) of the definition thereof, but subject to the provisos at the end of such definition may exist) on at least 90% of the Total Proved PV-9 of the Borrowing Base Properties.

(c) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Loan Party setting forth (i) resolutions of its board of directors or other appropriate governing body with respect to the authorization of such Loan Party to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of such Loan Party (y) who are authorized to sign the Loan Documents to which such Loan Party is a party and (z) 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, (iii) specimen signatures of such authorized officers, and (iv) the articles or certificate of incorporation and by-laws or other applicable Organizational Documents of such Loan Party, 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 such Loan Party to the contrary.

(d) The Administrative Agent shall have received certificates of the appropriate state agencies, as requested by the Administrative Agent, with respect to the existence, qualification and good standing of each Loan Party in each jurisdiction where any such Loan Party is organized or owns Borrowing Base Properties.

(e) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower in form and substance reasonably satisfactory to the Administrative Agent certifying that (i) all government and third party approvals necessary in connection with the continued operations of the Loan Parties and the Transactions have been obtained and are in full

force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby on satisfactory terms and (ii) no action or proceeding is pending or threatened in any court or before any Governmental Authority seeking to enjoin or prevent the consummation of the Transactions contemplated hereby.

(f) The Administrative Agent shall have received certificates of insurance coverage of the Loan Parties in form and substance reasonably satisfactory to the Administrative Agent evidencing that the Loan Parties are carrying insurance in accordance with Section 7.12.

(g) The Administrative Agent shall have received a certificate of a Responsible Officer of Parent and the Borrower substantially in the form of Exhibit E certifying that, after giving effect to the Borrowings under this Agreement and the other Transactions contemplated hereunder, Parent, the Borrower and the other Loan Parties, on a consolidated basis, are solvent.

(h) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower in form and substance reasonably satisfactory to the Administrative Agent certifying that the Borrower and the other Loan Parties will have outstanding no material Debt for borrowed money other than Intercompany Debt, Disqualified Capital Stock, the Secured Obligations under this Agreement, the Vitol Prepayments (which shall be extinguished within three (3) Business Days after the Effective Date in accordance with Section 8.20) or other Debt permitted by Section 9.02.

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

(j) The Administrative Agent shall have received, at least five (5) days prior to the Effective Date, all documentation and other information previously requested and required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA Patriot Act.

(k) The Administrative Agent shall have received an opinion of (i) Bryan Cave Leighton Paisner LLP with respect to enforceability under New York law and Hall Estill as to due execution and delivery and other corporate matters, as counsel to the Loan Parties, (ii) Baker & McKenzie, counsel for Parent and (iii) local counsel in any jurisdictions where Oil and Gas Properties are located, in form and of substance reasonably acceptable to the Administrative Agent.

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

(m) The Administrative Agent shall have received appropriate UCC search certificates reflecting no prior Liens encumbering the Properties of the Borrower and the other Loan Parties other than those being released on or prior to the Effective Date or Liens permitted by Section 9.03.

(n) The Administrative Agent shall have received title information as the Administrative Agent may reasonably require that is reasonably satisfactory to the Administrative Agent setting forth the status of title to at least 80% of the Total Proved PV-9 of the Borrowing Base Properties.

(o) The Administrative Agent shall have received evidence that on or before, or substantially simultaneous with, the Effective Date all Liens securing the Existing Credit Facilities are being released on terms satisfactory to the Administrative Agent.

(p) The Borrower shall have unrestricted cash and unused availability under the Facility in an aggregate amount of not less than \$125,000,000 on the Effective Date (after giving effect to the Borrowings and any application of the proceeds of the Loans incurred on the Effective Date and less any amounts necessary to repay the Vitol Prepayments in full).

(q) (i) The Borrower shall have contemporaneously received total consideration from equity contributions in an aggregate amount of not less than \$260,000,000 with cash proceeds from such equity contributions of not less than \$240,000,000 upon terms and conditions satisfactory to the Administrative Agent in its reasonable discretion, (ii) the Term Credit Agreement, in form and substance satisfactory to the Administrative Agent, shall have been executed and delivered by all parties thereto and Borrower shall have received the proceeds of the Term Debt in an aggregate principal amount of \$250,000,000 and (iii) the Intercreditor Agreement, in form and substance satisfactory to the Administrative Agent and the Majority Lenders, shall have been executed and delivered by all parties thereto and be in full force and effect.

(r) The Acquisition shall have occurred in accordance with the terms and conditions of the Acquisition PSA, including, without limitation, the delivery of the TSA Bonds to each of Pioneer Natural Resources Company, a Delaware corporation, Newpek, LLC, a Delaware limited liability company, and Reliance Holding USA, Inc., a Delaware corporation, as required pursuant to the Transaction Support Agreement, and the Administrative Agent shall have received copies, certified as true and correct by a responsible officer of the Borrower, of the Acquisition PSA and/or such other definitive documentation related to the Acquisition that 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. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 12.02) at or prior to 4:00 P.M., New York City time, on April 30, 2018 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 6.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Banks to issue, amend, renew or extend any Letter of Credit, including the initial Borrowing or issuance of a Letter of Credit, is subject to the satisfaction of the following conditions:

(a) At the time of and immediately after giving pro forma effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default (including, without limitation, compliance with all financial covenants contained in Section 9.01) shall have occurred and be continuing.

(b) The representations and warranties of the Borrower and the Guarantors 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) At the time and immediately after giving pro forma effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, there is exists no event or circumstance that could have a Material Adverse Effect.

(d) At the time of and immediately after giving pro forma effect to any Borrowing of Loans, the Consolidated Cash Balance shall not exceed the Consolidated Cash Balance Threshold.

(e) The receipt by the Administrative Agent of a Borrowing Request in accordance with Section 2.03 or a request for a Letter of Credit (or an amendment, extension or renewal of a Letter of Credit) in accordance with Section 2.08(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 and the other Loan Parties on the date thereof as to the matters specified in Section 6.02(a) through (d).

ARTICLE VII REPRESENTATIONS AND WARRANTIES

Each of Parent and the Borrower, jointly and severally, represents and warrants to the Lenders that:

Section 7.01 Organization; Powers. Each Loan Party 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 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 foreign qualifications could not reasonably be expected to have a Material Adverse Effect.

Section 7.02 Authority; Enforceability. The Transactions are within each Loan Party's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational action. Each Loan Document to which a Loan Party is a party has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, as applicable, 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 (a) 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, 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 contemplated thereby, except such as have been obtained or made and are in full force and effect other than (i) the recording and filing of financing statements and the Security Instruments as required by this Agreement and (ii) those third party approvals or consents which, if not made or obtained, would not cause a Default hereunder, could not reasonably be expected to have a Material Adverse Effect, or do not have an adverse effect on the enforceability of the Loan Documents, (b) will not violate (i) in any material respect, any applicable law or regulation or any order of any Governmental Authority or (ii) the Organizational Documents of any

Loan Party, (c) will not violate or result in a default under any material indenture, note, credit agreement or other similar instrument binding upon any Loan Party or its Properties, or give rise to a right thereunder to require any payment to be made by any Loan Party and (d) will not result in the creation or imposition of any Lien on any Property of any Loan Party (other than the Liens created by the Loan Documents).

Section 7.04 Financial Condition; No Material Adverse Change.

(a) Since December 31, 2017 and after giving effect to the Transactions (i) there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect and (ii) the business of the Borrower and the Loan Parties has been conducted only in the ordinary course consistent with past business practices (it being understood that changes in business practices that do not change the nature of the business as an exploration and production company, such as changes to respond to current market conditions, are consistent with past business practices).

(b) Neither the Borrower nor any other Loan Party has on the date of this Agreement, after giving effect to the Transactions, any material Debt (including Disqualified Capital Stock) other than the Secured Obligations, Debt under the Term Loan Documents, Intercompany Debt or any contingent liabilities, off-balance sheet liabilities or partnerships, liabilities for taxes, or unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments.

Section 7.05 Litigation.

(a) 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 in writing against any Group Member that (i) are not fully covered by insurance (except for normal deductibles) as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) involve any Loan Document or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in Schedule 7.05 that, individually or in the aggregate, has resulted in a Material Adverse Effect.

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 Group Members 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 Group Members 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 no Group Member 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 the Borrower's knowledge, threatened against any Group Member or any of their respective Properties or as a result of any operations at the Properties;

(d) none of the Properties of the Group Members contain or, to the Borrower's knowledge, have contained any: (i) underground storage tanks; (ii) asbestos-containing materials; (iii) landfills or dumps; (iv) hazardous waste management units as defined pursuant to RCRA or any comparable state law; or (v) 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) except as permitted under applicable laws, there has been no Release or, to the Borrower's knowledge, threatened Release, of Hazardous Materials attributable to the operations of any Group Member at, on, under or from any Group Member's Properties and there are no investigations, remediations, abatements, removals of Hazardous Materials required under applicable Environmental Laws relating to such Releases or threatened Releases or 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 Group Member has received any written notice asserting an alleged liability or obligation under any Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials, including at, under, or Released or threatened to be Released from any real properties offsite the Group Member's Properties and there are no conditions or circumstances that would 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 Group Member or relating to any of their Properties that would reasonably be expected to form the basis for a claim against any Group Member for damages or compensation and, to the Borrower's knowledge, there are no conditions or circumstances that would reasonably be expected to result in the receipt of notice regarding such exposure; and

(h) the Group Members have provided to the Lenders complete and correct copies of all environmental site assessment reports, investigations, studies, analyses, and correspondence on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in any Group Member's possession or control and relating to their respective Properties or operations thereon.

Section 7.07 Compliance with the Laws and Agreements; No Defaults.

(a) Each Loan Party 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 Loan Party is in default nor has any event or circumstance 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 such Loan Party to Redeem or make any offer to Redeem all or any portion of any Debt outstanding under any material indenture, note, credit agreement or other similar instrument pursuant to which any Material Indebtedness is outstanding.

(c) No Default has occurred and is continuing.

Section 7.08 Investment Company Act. No Loan 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 Loan Party has timely filed or caused to be filed all 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 (a) taxes that are being contested in good faith by appropriate proceedings and for which the applicable Loan Party has set aside on its books adequate reserves in accordance with IFRS or (b) to the extent that the failure to do so could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect. To the knowledge of Borrower, no material proposed tax assessment is being asserted with respect to any Loan Party.

Section 7.10 ERISA.

(a) Each Plan is, and has been, operated, administered and maintained in substantial compliance with, and the Borrower and each ERISA Affiliate have complied in all material respects with, ERISA, the terms of the applicable Plan and, where applicable, the Code.

(b) No act, omission or transaction has occurred which would result in imposition on any the Borrower or any ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to subsections (c), (i) or (l) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(c) No liability to the PBGC (other than for the payment of current premiums which are not past due) by the Borrower or any ERISA Affiliate has been or is reasonably expected by any Loan Party or any ERISA Affiliate to be incurred with respect to any Plan. No ERISA Event with respect to any Plan has occurred.

(d) The actuarial present value of the benefit liabilities under each Plan which is subject to Title IV of ERISA does not, as of the end of the Borrower’s most recently ended fiscal year, exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities by an amount that could reasonably be expected to have a Material Adverse Effect. The term “actuarial present value of the benefit liabilities” shall have the meaning specified in section 4041 of ERISA.

(e) Neither the Borrower nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, or had any actual or contingent liability to any Multiemployer Plan.

Section 7.11 Disclosure; No Material Misstatements. The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any Loan Party is subject, and all other existing facts and circumstances applicable to the Loan

Parties known to the Borrower, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Loan Parties to the Administrative Agent or any Lender or any of their Affiliates in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) contain any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial or other information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to the Borrower or any other Loan Party which could reasonably be expected to have a Material Adverse Effect or in the future is reasonably likely to have a Material Adverse Effect and which has not been set forth in this Agreement or the Loan Documents or the other documents, certificates and statements furnished to the Administrative Agent or the Lenders by or on behalf of the Borrower or any other Loan Party prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no statements or conclusions in any Reserve Report which are based upon or include 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 and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and the Loan Parties do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

Section 7.12 Insurance. For the benefit of each Loan Party, Parent or the Borrower has (a) all insurance policies sufficient for the compliance by the Loan Parties with all material Governmental Requirements and all material agreements and (b) insurance coverage, or self-insurance, in at least such amounts and against such risk (including 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 Loan Parties. Schedule 7.12, as of the date hereof, sets forth a list of all insurance maintained by Parent or the Borrower. The Administrative Agent, as agent for the benefit of the Secured Parties, has been named as additional insureds in respect of such liability insurance policies and the Administrative Agent, as agent for the benefit of the Secured Parties, has been named as loss payee with respect to Property loss insurance.

Section 7.13 Restriction on Liens. Neither the Borrower nor any Loan Party is a party to any material agreement or arrangement (other than as permitted by Section 9.15), 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 Secured Obligations and the Loan Documents.

Section 7.14 Group Members. 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, there are no other Group Members. Each Guarantor and Material Subsidiary has been so designated on Schedule 7.14.

Section 7.15 Foreign Operations. The Borrower and its Subsidiaries do not own any Oil and Gas Properties not located within the geographical boundaries of the United States.

Section 7.16 Location of Business and Offices. The Borrower's jurisdiction of organization is Colorado; the name of the Borrower as listed in the public records of its jurisdiction of organization is Sundance Energy, Inc. and the organizational identification number of the Borrower in its jurisdiction of organization is 20031394742 (or, in each case, as set forth in a notice delivered to the Administrative Agent pursuant to Section 8.01(l) in accordance with Section 12.01). The Borrower's principal place of business and chief executive offices are located at the address specified in Section 12.01 (or as set forth in a notice

delivered pursuant to Section 8.01(l) and Section 12.01(c)). Each Group Member's jurisdiction of organization, name as listed in the public records of its jurisdiction of organization, organizational identification number in its jurisdiction of organization, and the location of its principal place of business and chief executive office is stated on Schedule 7.14 (or as set forth in a notice delivered pursuant to Section 8.01(l)).

Section 7.17 Properties; Titles, Etc.

(a) Each Loan Party has good and defensible title to the Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to, or valid leasehold interests in, licenses of, or rights of use, all other Collateral owned or leased by such Loan Party and all of its other material personal Properties necessary or used in the ordinary conduct of its business other than Properties sold in compliance with Section 9.11 from time to time, in each case, free and clear of all Liens except Liens permitted by Section 9.03. After giving full effect to the Excepted Liens, the Loan Party specified as the owner owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and except as otherwise provided by statute, regulation or the standard and customary provisions of any applicable joint operating agreement, the ownership of such Properties shall not in any material respect obligate the Loan Party 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 Loan Party's net revenue interest in such Property.

(b) All material leases and agreements necessary for the conduct of the business of the Loan 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) Except as could not reasonably be expected to have a Material Adverse Effect, the rights and Properties presently owned, leased or licensed by the Loan Parties including all easements and rights of way, include all rights and Properties necessary to permit the Loan Parties to conduct their business in the same manner as its business is conducted on the date hereof.

(d) Except for Properties being repaired, all of the Properties of the Loan Parties which are reasonably necessary for the operation of their businesses are in good working condition in all material respects and are maintained in accordance with prudent business standards.

(e) Each Loan Party owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property necessary for the conduct of the business, and the use thereof by the Loan Party does not, to its knowledge, 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. The Loan 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, which limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 7.18 Maintenance of Properties. Except for such acts or failures to act as could not be reasonably expected to have a Material Adverse Effect, the Oil and Gas Properties (and Properties unitized therewith) of the Loan Parties have 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 Loan Parties. Specifically in connection with the foregoing, except for those as could not be reasonably expected to have a Material Adverse Effect, (i) no Oil and Gas Property of the Loan Parties is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Loan Parties is deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Loan Parties. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned in whole or in part by the Loan Parties that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations, and with respect to such of the foregoing which are operated by the Loan Parties, in a manner consistent with the Loan Parties' past practices (other than those the failure of which to maintain in accordance with this Section 7.18 could not reasonably be expected to have a Material Adverse Effect).

Section 7.19 Gas Imbalances; Prepayments. Except as set forth on Schedule 7.19 or on the most recent certificate delivered pursuant to Section 8.12(c), on a net basis there are no gas imbalances, take-or-pay or other prepayments which would require any Loan Party to deliver Hydrocarbons produced from their Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding two percent (2.0%) of the aggregate volumes of Hydrocarbons (on an Mcf equivalent basis) listed in the most recent Reserve Report.

Section 7.20 Marketing of Production. Except for contracts listed and in effect on the date hereof on Schedule 7.20, and thereafter either disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report, (a) the Loan Parties are receiving a price for all production sold thereunder which is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Property's delivery capacity and (b) 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 Loan Parties' Hydrocarbons (including calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (i) pertain to the sale of production at a fixed price and (ii) have a maturity or expiry date of longer than six (6) months from the date hereof.

Section 7.21 Security Instruments. The Security Instruments are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Mortgaged Property and Collateral and proceeds thereof. To the extent required herein and in the other Loan Documents, the Secured Obligations are and shall be at all times secured by a legal, valid and enforceable perfected first priority Liens in favor of the Administrative Agent, covering and encumbering the Mortgaged Properties and other Collateral, to the extent perfection has occurred or will occur, by the recording of a mortgage, the filing of a UCC financing statement or, with respect to Equity Interests represented by certificates, by possession (in each case, to the extent available in the applicable jurisdiction); provided that, except in the case of pledged Equity Interests or as otherwise provided herein, Liens permitted by Section 9.03 may exist.

Section 7.22 Swap Agreements and Eligible Contract Participant. Schedule 7.22, 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), sets forth, a true and complete list of all Swap Agreements of the Loan Parties, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the estimated net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied, but excluding the Security Instruments) and the counterparty to each such agreement. The Borrower is an “eligible contract participant” as defined in the Commodity Exchange Act and each other Loan Party is a Qualified ECP Guarantor.

Section 7.23 Use of Loans and Letters of Credit. The proceeds of the Loans shall be used (a) to refinance the Existing Credit Facilities, (b) to finance the development of the Borrowing Base Properties including those acquired in the Acquisition, (c) to extinguish the amounts of all Prepayments (as defined in the Vitol Prepayment Contract) (the “Vitol Prepayments”) and (d) for the working capital needs and general corporate purposes of the Loan Parties. The proceeds of the Letters of Credit shall be used as credit support for (i) the Borrower’s obligations under the Transaction Support Agreement and (ii) other obligations of the Loan Parties (not constituting Debt) arising in the ordinary course of business. No Loan Party is 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, directly or indirectly to purchase or carry any margin stock, to extend credit to others for the purpose of purchasing or carrying margin stock, to reduce or retire any indebtedness that was originally incurred to purchase or carry any margin stock or for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.24 Solvency. After giving effect to the Transactions and the other transactions contemplated hereby, (a) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Loan Parties, taken as a whole, will exceed the aggregate Debt of the Loan Parties on a consolidated basis, as the Debt becomes absolute and matures, (b) each Loan Party will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures in the ordinary course of business and (c) each Loan Party will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business.

Section 7.25 Sanctions; Anti-Corruption.

(a) Neither the Group Members, nor, to the Borrower’s knowledge, any director, officer, agent, employee or Affiliate of the Group Members is currently subject to any material Sanctions.

(b) No Group Member, nor, to the knowledge of the Borrower after reasonable inquiry, any director, officer, agent, or employee of any Group Member, is aware of or has taken any action, directly or indirectly, that would result in a material violation by such Persons of all applicable Sanctions and the FCPA, including without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA;

(c) The Group Members and, to the knowledge of the Borrower after reasonable inquiry, any director, officer, agent, or employee of any Group Member, are in compliance with all applicable Sanctions and with the FCPA and any other applicable anti-corruption law, in all material respects and the Loan Parties have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(d) No Borrowing or Letter of Credit, direct use of proceeds or other transaction by the Borrower or its Subsidiaries contemplated by this Agreement will unlawfully violate any applicable Sanctions, the FCPA or any applicable anti-corruption law.

Section 7.26 Anti-Terrorism Laws. None of the Group Members, nor, to the Borrower's knowledge, any of their Affiliates is in violation of any laws relating to terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Patriot Act.

(a) None of the Group Members, nor, to the Borrower's knowledge, any of their Affiliates or their respective brokers or other agents acting or benefiting in any capacity in connection with the Loans is any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(i v) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Sanctioned Person.

(b) None of the Group Members, nor, to the Borrower's knowledge, any of its brokers or other agents acting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in clause (a) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 7.27 Money Laundering. The operations of the Group Members are and have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the Money Laundering Laws, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any Group Member with respect to the Money Laundering Laws is pending or, to the best knowledge of the Borrower, threatened in writing.

Section 7.28 EEA Financial Institutions. No Group Member is an EEA Financial Institution.

ARTICLE VIII
AFFIRMATIVE COVENANTS

Until Payment in Full, each of Parent and the Borrower, jointly and severally, covenants and agrees with the Lenders that:

Section 8.01 Financial Statements; Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) Annual Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 90 days after the end of each fiscal year of the Parent, (i) the audited consolidated statement of financial position for Parent and its Subsidiaries and related statements of profit or loss or other comprehensive income, changes in equity, as applicable, and cash flows as of the end of and for such year, setting forth in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing (without a “going concern” or like qualification or exception 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 Parent and its Subsidiaries on a consolidated basis in accordance with IFRS consistently applied, and (ii) internally prepared unaudited consolidating statement of financial position and statement of profit or loss or other comprehensive income of Parent which agree in total to the corresponding audited consolidated statements of Parent for the 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 Parent and its Subsidiaries on a consolidated and consolidating basis in accordance with IFRS consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Quarterly Financial Statements. As soon as available, but in any event not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of Parent, (i) the unaudited consolidated statement of financial position for Parent and its Subsidiaries and related statements of profit or loss or other comprehensive income, changes in equity, as applicable, 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 comparative form the figures for the corresponding period or periods of (or, in the case of the statement of financial position, as of the end of) the previous fiscal year and (ii) internally prepared unaudited consolidating statement of financial position and statement profit or loss or other comprehensive income of Parent which agree in total to the corresponding unaudited consolidated statements of Parent for such fiscal quarter, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Parent and its Subsidiaries on a consolidated and consolidating basis in accordance with IFRS 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 certificate of a Financial Officer of Parent in substantially the form of Exhibit D hereto (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 9.01 and (iii) stating whether any change in IFRS or in the application thereof has occurred since the date of the most recently delivered financial statements referred to in Section 8.01(a) and (b) and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

(d) [Reserved].

(e) Certificate of Financial Officer – Swap Agreements. Concurrently with the delivery of each Reserve Report hereunder, a certificate of a Financial Officer, in form and substance reasonably satisfactory to the Administrative Agent, setting forth as of the last Business Day of the period covered by such Reserve Report, a true and complete list of all Swap Agreements of each Loan Party, 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 (other than Security Instruments) not listed on Schedule 7.22, 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), and within ten (10) Business Days following each change in the insurance maintained in accordance with Section 8.07, certificates of insurance coverage with respect to the insurance required by Section 8.07, in form and substance reasonably satisfactory to the Administrative Agent, and, if requested by the Administrative Agent or any Lender, all copies of the applicable policies.

(g) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to any Loan Party by independent accountants in connection with any annual, interim or special audit made by them of the books of any such Person, and a copy of any response by such Person, or the board of directors or other appropriate governing body of such Person, to such letter or report.

(h) SEC and Other Filings; Reports to Shareholders. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Loan Party with the SEC, the Australian Securities Exchange or with any other national securities exchange (other than relating to beneficial ownership of the Equity Interests of the Parent); provided, however, that the Loan Parties shall be deemed to have furnished the information required by this Section 8.01(h) if it shall have timely made the same available publicly on its website, “EDGAR”, asx.com.au or an equivalent website.

(i) 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 material agreement, other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(j) Lists of Purchasers. Concurrently with the delivery of any Reserve Report to the Administrative Agent pursuant to Section 8.12, a list of all Persons purchasing Hydrocarbons from any Loan Party (or, with respect to Oil and Gas Properties that are not operated by a Loan Party, a list of the operators of such properties).

(k) Notice of Sales of Oil and Gas Properties and Unwinds of Swap Agreements. In the event the Borrower or any other Loan Party intends to (i) sell, transfer, assign or otherwise dispose of any Oil and Gas Properties (or any Equity Interests of any Loan Party that owns Oil and Gas Properties) or (ii) terminate, unwind, cancel or otherwise dispose of Swap Agreements which could result in an anticipated decline in the mark-to-market value thereof or net cash proceeds therefrom in excess of \$2,000,000 (in a single transaction or in multiple transactions over any one-month period), in each case, in accordance with Section 9.11, prior written notice of the foregoing (of at least 5 Business Days or such shorter time as the Administrative Agent may agree), the price thereof, in the case of Oil and Gas Properties (or any Equity Interests of any Loan Party that owns

Oil and Gas Properties), and the anticipated decline in the mark-to-market value thereof or net cash proceeds therefrom, in the case of Swap Agreements, and the anticipated date of closing and any other details thereof reasonably requested by the Administrative Agent or any Lender.

(l) Notice of Casualty Events. Prompt written notice, and in any event within three Business Days, of the occurrence of any Casualty Event or the commencement of any action or proceeding that could reasonably be expected to result in a Casualty Event.

(m) Information Regarding Borrower and Guarantors. Prompt written notice of (and in any event within ten (10) days prior thereto or such other time as the Administrative Agent may agree) any change (i) in a Loan Party's corporate name or in any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties, (ii) in the location of the Loan Party's chief executive office or principal place of business, (iii) in the Loan Party's identity or corporate structure or in the jurisdiction in which such Person is incorporated or formed, (iv) in the Loan Party's jurisdiction of organization or such Person's organizational identification number in such jurisdiction of organization, and (v) in the Loan Party's federal taxpayer identification number.

(n) Production Report and Lease Operating Statements. Concurrently with any delivery of financials statements under Section 8.01(a) or Section 8.01(b), 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, and setting forth the related ad valorem, severance and production taxes and lease operating expenses attributable thereto and incurred for each such calendar month.

(o) Patriot Act. Promptly upon request, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

(p) Annual Budget. Not later than 120 days after the end of each fiscal year, a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, setting forth a budget (including, without limitation, a cash flow and capital expenditure forecast) for the immediately succeeding twelve months in form and substance reasonably satisfactory to the Administrative Agent.

(q) Other Requested Information. Promptly following any written request therefor, such other information regarding the operations, business affairs and financial condition of Parent, the Borrower or any Subsidiary (including any Plan or Multiemployer Plan and any reports or other information required to be filed 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 written notice of the following after any Responsible Officer of any Loan Party has knowledge thereof:

(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 Group Members thereof 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 ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower or any other Loan Party in an aggregate amount exceeding \$2,000,000; and

(d) the occurrence of any 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. Parent and the Borrower will, and will cause each Loan Party to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and 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 is located or the ownership of its Properties requires such qualification, except where failure to have such rights, licenses, permits, privileges, franchises and foreign qualifications 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. Parent and the Borrower will, and will cause each other Loan Party to, pay its obligations, including tax liabilities of the Borrower and all of the other Loan Parties before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such other Loan Party has set aside on its books adequate reserves with respect thereto in accordance with IFRS and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 8.05 Performance of Obligations under Loan Documents. The Borrower will pay the Loans in accordance with the terms hereof, and cause each other Loan 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 this Agreement, at the time or times and in the manner specified.

Section 8.06 Operation and Maintenance of Properties. Parent and the Borrower, each at its own expense, will, and will cause each other Loan Party to:

(a) operate its Oil and Gas Properties and other material Properties or use commercially reasonable efforts to 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 and in compliance with all applicable contracts and agreements and in compliance with all applicable Governmental Requirements, including applicable production 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 comply could not reasonably be expected to have a Material Adverse Effect.

(b) maintain and keep or use commercially reasonable efforts to cause to be maintained and kept in good repair, working order and efficiency (ordinary wear and tear excepted)

all of its material Oil and Gas Properties and other Properties material to the conduct of its business, including all equipment, machinery and facilities.

(c) promptly pay and discharge, or use commercially reasonable efforts to cause to be paid and discharged, all material delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary, in accordance with industry standards, to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(d) promptly perform or use commercially reasonable efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties.

Section 8.07 Insurance. Parent or the Borrower will maintain, with financially sound and reputable insurance companies, insurance covering all Loan Parties, 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 loss payable clauses or provisions in the applicable insurance policy or policies insuring any of the collateral for the Loans shall be endorsed in favor of and made payable to the Administrative Agent as a “loss payee” or other formulation reasonably acceptable to the Administrative Agent and such liability policies shall name the Administrative Agent, as agent for the benefit of the Secured Parties, as “additional insured”. Such policies will also provide that the insurer will endeavor to give at least 30 days prior notice of any cancellation to the Administrative Agent.

Section 8.08 Books and Records; Inspection Rights. Parent and the Borrower will, and will cause each other Loan Party to, keep proper books of record and account in accordance with IFRS. Parent and the Borrower will, and will cause each other Loan Party to, permit any representatives designated by the Administrative Agent or any Lender, 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 during normal business hours and as often as reasonably requested.

Section 8.09 Compliance with Laws. Parent and the Borrower will, and will cause each Loan 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.

Section 8.10 Environmental Matters.

(a) Parent and the Borrower shall: (i) comply, and shall cause its Properties and operations and each other Group Member and each other Group Member’s Properties and operations to comply, with all applicable Environmental Laws, except to the extent any breach thereof could not be reasonably expected to have a Material Adverse Effect; (ii) not dispose of or otherwise Release, and shall cause each other Group Member not to dispose of or otherwise Release, any Hazardous Material, or solid waste on, under, about or from any of the Borrower’s or the other Group Members’ Properties or any other Property to the extent caused by the Borrower’s or any of the other Group Members’ operations except in compliance with applicable Environmental Laws, the disposal or Release of which could reasonably be expected to have a Material Adverse Effect; (iii) timely obtain or file, and shall cause each other Group Member to timely obtain or file, all notices, and Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the

Borrower's or the other Group Members' Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; (iv) promptly commence and diligently prosecute to completion, and shall cause each of other Group Member 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 disposal or other Release of any Hazardous Materials on, under, about or from any of the Borrower's or the other Group Members' Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; (v) use commercially reasonable efforts to conduct, and cause each other Group Member 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 form the basis for a claim for damages or compensation; and (vi) establish and implement, and shall cause each other Group Member to establish and implement, such procedures as may be necessary to continuously determine and assure that the Borrower's and the other Group Members' 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) Parent and the Borrower will promptly, but in no event later than five Business Days of Parent or the Borrower becoming aware thereof, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any demand or lawsuit by any landowner or other third party threatened in writing against Parent or the Borrower or the other Group Members or their Properties of which Parent and or Borrower has knowledge in connection with any Environmental Laws (excluding routine testing and corrective action) if Parent or the Borrower reasonably anticipates that such action will result in liability (whether individually or in the aggregate) in excess of \$2,000,000, not fully covered by insurance, subject to normal deductibles.

(c) If an Event of Default has occurred and is continuing, the Administrative Agent may (but shall not be obligated to), at the reasonable and documented expense of the Borrower and to the extent that the Borrower or any other Loan Party has the right to do so, conduct such Remedial Work as it deems appropriate to determine the nature and extent of any noncompliance with applicable Environmental Laws, the nature and extent of the presence of any Hazardous Material and the nature and extent of any other environmental conditions that may exist at or affect any of the Mortgaged Properties, and the Group Members shall cooperate with the Administrative Agent in conducting such Remedial Work. Such Remedial Work may include a detailed visual inspection of the Mortgaged Properties, including all storage areas, storage tanks, drains and dry wells and other structures and locations, as well as the taking of soil samples, surface water samples, and ground water samples and such other investigations or analyses as the Administrative Agent deems appropriate. The Administrative Agent and its officers, employees, agents and contractors shall have and are hereby granted the right to enter upon the Mortgaged Properties for the foregoing purposes.

Section 8.11 Further Assurances.

(a) Parent and the Borrower, each at its sole expense will, and will cause each other Loan 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 Loan Party, as the case may be, in the Loan Documents or to further evidence and more fully describe

the collateral intended as security for the Secured 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 reasonably necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith.

(b) Parent and the Borrower hereby authorize 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 without the signature of the Borrower or any other Loan Party where permitted by law. A carbon, photographic or other reproduction of the Security Instruments or any financing statement covering the Mortgaged Property or any part thereof shall be sufficient as a financing statement where permitted by law.

Section 8.12 Reserve Reports.

(a) On or before March 31st and September 30th of each year, as applicable, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report evaluating the Oil and Gas Properties of the Borrower and the other Loan Parties in the United States as of the immediately preceding January 1st or July 1st, as applicable. The Reserve Report as of January 1st and delivered on or before March 31th of each year (the “January 1 Reserve Report”) shall be prepared by one or more Approved Petroleum Engineers, and each other Reserve Report of each year may be prepared in form reasonably acceptable by one or more Approved Petroleum Engineers or internally 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 and, except as otherwise specified therein, to have been prepared in all material respects in accordance with the procedures used in the immediately preceding January 1 Reserve Report.

(b) In the event of an Interim Redetermination, the Borrower shall furnish to the Administrative Agent and the 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 and, except as otherwise specified therein, to have been prepared in all material respects in accordance with the procedures used in the immediately preceding January 1 Reserve Report. For any Interim Redetermination requested by the Administrative Agent or the Borrower pursuant to Section 2.07(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 Lenders a certificate (a “Reserve Report Certificate”) from a Responsible Officer certifying that in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (ii) the Borrower or the other Loan Parties own good and defensible title to the Oil and Gas Properties evaluated in such Reserve Report and such Properties are free of all Liens except for Liens permitted by Section 9.03, (iii) 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 7.19 with respect to its Oil and Gas Properties evaluated in such Reserve Report which would require the Borrower or any other Loan 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, (iv) 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 exhibit shall list all of its Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent, (v) attached to the certificate is a list of all marketing agreements entered into by a Loan Party subsequent to the later of the date hereof or the most recently delivered Reserve Report which the Borrower could reasonably be expected to have been obligated to list on Schedule 7.20 had such agreement been in effect on the date hereof, (vi) 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 represent and that such percentage is in compliance with Section 8.14(a) and (vii) attached thereto is a computation of Total Proved PV-9 for the Oil and Gas Properties evaluated in such Reserve Report.

Section 8.13 Title Information.

(a) On or before the delivery to the Administrative Agent and the Lenders of each Reserve Report required by Section 8.12(a), the Borrower will make available to the Administrative Agent title information in form and substance reasonably acceptable to the Administrative Agent covering enough of the Borrowing Base Properties evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Administrative Agent shall have had the opportunity to review (including title information previously made available to the Administrative Agent), satisfactory title information on Hydrocarbon Interests constituting at least 80% of the Total Proved PV-9 of the Borrowing Base Properties evaluated by such Reserve Report.

(b) If the Borrower has provided title information for additional Properties under Section 8.13(a), the Borrower shall, within 60 days of 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 (other than Excepted Liens described in clauses (e), (g) and (h) of such definition) having an equivalent value or (iii) deliver title information in form and substance reasonably acceptable to the Administrative Agent so that the Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, satisfactory title information on Hydrocarbon Interests constituting at least 80% of the Total Proved PV-9 of the Borrowing Base Properties 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 80% of the Total Proved PV-9 of the Borrowing Base Properties evaluated in the most recent Reserve Report, such default shall not be a Default, but instead the Administrative Agent and/or the Majority 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 Lenders. To the extent that the Administrative Agent or the Majority Lenders are not satisfied with title to any Mortgaged Property after the 60-day period has elapsed, such unacceptable Mortgaged Property shall not count towards the 80% 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 Lenders to cause the Borrower to be in compliance with the requirement to provide acceptable title information on Hydrocarbon Interests constituting 80% of the Total Proved PV-9 of the Borrowing Base Properties evaluated by such Reserve Report. This new Borrowing Base shall become effective immediately after receipt of such notice.

Section 8.14 Additional Collateral; Additional Guarantors.

(a) In connection with each redetermination of the Borrowing Base, the Borrower shall review the Reserve Report and the list of current Mortgaged Properties (as described in Section 8.12(c)(vi)) to ascertain whether the Mortgaged Properties represent at least 90% of the Total Proved PV-9 of the Borrowing Base Properties evaluated in the most recently completed Reserve Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least 90% of such Total Proved PV-9, then Parent and the Borrower shall, and shall cause the other Loan Parties to, grant, within thirty (30) days of delivery of the certificate required under Section 8.12(c) (or such later date as the Administrative Agent may agree), to the Administrative Agent as security for the Secured Obligations a first-priority Lien interest (provided that Excepted Liens of the type described in clauses (a) to (d) and (f) of the definition thereof may exist, but subject to the provisos at the end of such definition) on additional Oil and Gas Properties not already subject to a Lien of the Security Instruments such that after giving effect thereto, the Mortgaged Properties will represent at least 90% of such Total Proved PV-9. All such Liens 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 grants a Lien on its Oil and Gas Properties pursuant to Section 8.14(a) and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) Parent and the Borrower shall promptly cause each newly created or acquired Subsidiary (other than any Immaterial Subsidiary) to guarantee the Secured Obligations pursuant to the Guarantee and Collateral Agreement, including pursuant to a supplement or joinder thereto. In connection with any such guaranty, Parent and the Borrower shall, or shall cause (i) such Subsidiary (other than any Immaterial Subsidiary) to execute and deliver the Guarantee and Collateral Agreement (or a supplement thereto, as applicable) and (ii) the owners (other than any Immaterial Subsidiary) of the Equity Interests of such Subsidiary to pledge all of the Equity Interests of such new Subsidiary (including delivery of original stock certificates evidencing the Equity Interests of such Subsidiary, together with an appropriate undated stock powers for each certificate duly executed in blank by the registered owner thereof) and to execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(c) In the event that any Loan Party becomes the direct owner of a Domestic Subsidiary, then the Loan Party shall promptly (i) pledge 100% of all the Equity Interests of such Domestic Subsidiary, in each case, that are owned by such Loan Party and to the extent such pledge does not occur automatically under the Guarantee and Collateral Agreement (including, in each case, delivery of original stock certificates, if any, evidencing such Equity Interests, together with appropriate stock powers for each certificate duly executed in blank by the registered owner thereof) and (ii) (along with such Domestic Subsidiary) execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(d) In the event that any Loan Party becomes the direct owner of a Foreign Subsidiary, then the Loan Party shall promptly (i) pledge 66-2/3% of all the Equity Interests of such Foreign Subsidiary, in each case, that are owned by such Loan Party and to the extent such pledge does not occur automatically under the Guarantee and Collateral Agreement (including, in each case, delivery of original stock certificates, if any, evidencing such Equity Interests, together with appropriate stock powers for each certificate duly executed in blank by the registered owner

thereof) and (ii) (along with such Foreign Subsidiary) execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(e) The Borrower hereby guarantees the payment of all Secured Obligations of each Loan Party (other than the Borrower) and absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time to each Loan Party (other than the Borrower) in order for such Loan Party to honor its obligations under the Guarantee and Collateral Agreement and other Security Instruments including obligations with respect to Swap Agreements (provided, however, that the Borrower shall only be liable under this Section 8.14(e) for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 8.14(e), or otherwise under this Agreement or any Loan Document, as it relates to such other Loan Parties, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of the Borrower under this Section 8.14(e) shall remain in full force and effect until Payment in Full. The Borrower intends that this Section 8.14(e) constitute, and this Section 8.14(e) shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each Loan Party (other than the Borrower) for all purposes of Section 1a(18)(A)(v) (II) of the Commodity Exchange Act.

Section 8.15 ERISA Compliance. Parent and the Borrower will promptly furnish and will cause each other Group Member and any ERISA Affiliate to promptly furnish to the Administrative Agent (i) upon becoming aware of the occurrence of any ERISA Event or of any Prohibited Transaction, which could reasonably be expected to result in liability of Parent, the Borrower or such other Group Member in an aggregate amount exceeding \$2,000,000, in connection with any Plan or any trust created thereunder, a written notice of Parent, the Borrower or Subsidiary of the Borrower, as the case may be, specifying the nature thereof, what action such Person is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (ii) upon receipt thereof, copies of any notice of the PBGC’s intention to terminate or to have a trustee appointed to administer any Plan. Promptly following receipt thereof, Parent and the Borrower will furnish and will cause each Subsidiary to promptly furnish to the Administrative Agent copies of any documents described in Sections 101(k) or 101(l) of ERISA that any Group Member may request with respect to any Multiemployer Plan for which the Borrower, any Group Member or any of their ERISA Affiliates may be subject to any current or future liability; provided, that if the Group Members have not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, then, upon reasonable request of the Administrative Agent, the Group Members shall promptly make a request for such documents or notices from such administrator or sponsor and the Borrower shall provide copies of such documents and notices to the Administrative Agent promptly after receipt thereof.

Section 8.16 Marketing Activities. Parent and the Borrower will not, and will not permit any of the other Loan Parties to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than (i) 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, (ii) 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 Borrower and the other Loan Parties that the Borrower or one of the other Loan Parties 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 (iii) 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 and (B) for which appropriate credit support has been taken to alleviate the material credit risks of the counterparty thereto.

Section 8.17 Swap Agreements. Within fifteen (15) Business Days of the Effective Date (or such later date as the Administrative Agent may agree), the Borrower shall enter into 100% of the Required Hedges described in clause (a) of the definition thereof, and at all times thereafter the Borrower shall establish and maintain the Required Hedges described in clause (b) of the definition thereof.

Section 8.18 Sanctions, Money Laundering Laws; Anti-Corruption Laws. The Borrower will maintain in effect policies and procedures designed to promote compliance by the Borrower and the other Loan Parties, and their respective directors, officers, employees and agents with all applicable Sanctions, Money Laundering Laws and with the FCPA, and any other applicable anti-corruption laws. The Loan Parties will, and will cause their subsidiaries to, comply with all applicable Sanctions, Money Laundering Laws and with the FCPA, and any other applicable anti-corruption laws.

Section 8.19 Deposit Accounts. Borrower shall cause each of the Borrower's and the other Loan Parties' deposit accounts, commodities accounts and securities accounts (excluding Excluded Accounts) to at all times be subject to a deposit account control agreement or securities account control agreement, as applicable, in form and substance reasonably satisfactory to the Administrative Agent naming the Administrative Agent as the secured party thereunder for the benefit of the Secured Parties; provided that with respect to deposit accounts, commodities accounts and securities accounts maintained by the Loan Parties as of the Closing Date, the Loan Parties shall have until the date that is sixty (60) days following the Closing Date (as such date may be extended by the Administrative Agent in its sole discretion) to deliver control agreements covering such accounts. The Administrative Agent may only deliver notices to the depository banks and securities intermediaries to obtain exclusive control of such accounts 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 Loan Party, as applicable, and (z) as otherwise permitted by applicable law.

Section 8.20 Vitol Prepayments. Within three (3) Business Days of the Effective Date, the Borrower shall extinguish the Vitol Prepayments in full.

Section 8.21 Anti-Cash Hoarding. If, (a) as of the end of any calendar month, the Consolidated Cash Balance exceeds the Consolidated Cash Balance Threshold and (b) any Loans are then outstanding, then the Borrower shall, within five (5) Business Days of becoming aware of any such excess repay any Loans outstanding in an aggregate principal amount, plus accrued interest, if any, equal to such excess.

ARTICLE IX NEGATIVE COVENANTS

Until Payment in Full, each of Parent and the Borrower, jointly and severally, covenant and agree with the Lenders that:

Section 9.01 Financial Covenants.

(a) Current Ratio. Parent and the Borrower will not, as of the last day of any fiscal quarter, commencing with the quarter ending June 30, 2018, permit the ratio of (i) consolidated current assets of Parent, the Borrower and their Subsidiaries (including the unfunded and available amount of the Facility, but excluding non-cash assets under IFRS 9) to (ii) consolidated current liabilities of Parent, the Borrower and their Subsidiaries (excluding (x) noncash obligations under IFRS 9, (y) reclamation obligations to the extent classified as current liabilities under IFRS, and (z) current maturities under this Agreement) to be less than 1.0 to 1.0.

(b) Ratio of Total Debt to EBITDAX. Parent and the Borrower will not, as of the last day of any fiscal quarter, commencing with the quarter ending June 30, 2018, permit the ratio of Total Debt on such day to EBITDAX for the four fiscal quarters ending on such day to be greater than 4.0 to 1.0.

(c) Interest Coverage Ratio. Parent and the Borrower will not, as of the last day of any fiscal quarter, commencing with the quarter ending June 30, 2018, permit the ratio of EBITDAX to Consolidated Interest Expense for the four fiscal quarters ending on such day to be less than 2.0 to 1.0.

Section 9.02 Debt. Parent and the Borrower will not, and will not permit any other Loan Party to, incur, create, assume or suffer to exist any Debt, except:

(a) the Loans or other Secured Obligations.

(b) Debt of any Loan Party under Capital Leases or incurred in connection with fixed or capital assets acquired, constructed or improved by any Loan Party not to exceed \$1,000,000.

(c) Debt associated with worker's compensation claims, bonds or surety obligations required by Governmental Requirements or by third parties in the ordinary course of business in connection with the operation of, or provision for the abandonment and remediation of, the Oil and Gas Properties.

(d) Intercompany Debt.

(e) endorsements of negotiable instruments for collection in the ordinary course of business.

(f) Debt representing deferred compensation to employees of Parent or any of its Subsidiaries incurred in the ordinary course of business not to exceed an aggregate amount at any one time outstanding the greater of (i) \$1,250,000 and (ii) one percent (1%) of the then effective Borrowing Base, in the aggregate at any one time outstanding.

(g) Debt incurred by the Borrower or any Loan Party in any Investment permitted hereunder, merger or any Disposition permitted hereunder, in each case, constituting indemnification obligations or obligations in respect of purchase price or other similar adjustments not to exceed \$5,000,000 in the aggregate at any one time outstanding.

(h) Debt consisting of the financing of insurance premiums not to exceed the greater of (i) \$1,250,000 and (ii) one percent (1%) of the then effective Borrowing Base, in the aggregate at any one time outstanding.

(i) Debt in respect of Cash Management Services and other Debt in respect of netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and other cash management and similar arrangements in the ordinary course of business.

(j) Debt arising under Swap Agreements permitted under Section 9.17.

(k) other Debt not to exceed \$5,000,000 in the aggregate at any one time outstanding.

(l) any guarantee of any other Debt permitted to be incurred hereunder.

(m) Debt under the Term Loan Documents and any Permitted Refinancing Debt thereof, provided that the aggregate principal amount (including reimbursement obligations) of such Debt does not exceed \$250,000,000 plus interest (including interest accruing, including at any post-default rate, during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding), premium (if any), make-whole obligations, fees, indemnifications, reimbursements, expenses and other liabilities payable under the Term Loan Documents or any Permitted Refinancing Debt thereof.

(n) Debt under the Transaction Support Agreement and Parent's guarantee of such Debt (including, for the avoidance of doubt, the Buyer Parent Guaranty (as defined in the Transaction Support Agreement)), including, without limitation, Debt associated with the TSA Bonds and the TSA Letters of Credit, in a combined aggregate amount at any one time outstanding not to exceed \$42,000,000, and the TSA Indemnity Agreements.

Section 9.03 Liens. Parent and the Borrower will not, and will not permit any other Loan 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 Secured Obligations.

(b) Excepted Liens.

(c) Liens securing Capital Leases permitted by Section 9.02(b) but only on the Property that is the subject of any such lease, accessions and improvements thereto, insurance thereon, and the proceeds of the foregoing.

(d) Liens securing any Permitted Refinancing Debt provided that any such Permitted Refinancing Debt is not secured by any additional or different Property not securing the Refinanced Debt.

(e) Liens with respect to property or assets of the Borrower or any other Loan Party securing obligations in an aggregate principal amount outstanding at any time not to exceed \$5,000,000.

(f) Liens securing the Term Debt to the extent permitted by, and for so long as such Liens remain subject to, the Intercreditor Agreement.

(g) Liens which are disclosed to the Lenders in Schedule 9.03.

Section 9.04 Restricted Payments. Parent and the Borrower will not, and will not permit any other Loan Party to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except, as long as no Default or Event of Default exists at the time such Restricted Payment is made or will occur as a result thereof, (a) Restricted Payments payable to any Loan Party other than Parent; and (b) Restricted Payments payable to Parent, to the extent that the aggregate value of all such Restricted Payments made during any fiscal year does not exceed \$2,000,000; provided that such Restricted Payments must be used by Parent in the ordinary course of business of the Loan Parties and must not be distributed to holders of Parent's Equity Interests or to any other Person.

Section 9.05 Investments, Loans and Advances. Parent and the Borrower will not, and will not permit any other Loan 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) Investments which are disclosed to the Lenders in Schedule 9.05.
- (b) accounts receivable and notes receivable arising from the grant of trade credit arising in the ordinary course of business.
- (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 acquisition thereof.
- (d) commercial paper maturing within one year from the date of acquisition thereof rated in one of the two highest grades by S&P or Moody's.
- (e) deposits maturing within one year from the date of creation thereof with, including certificates of deposit 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) Investments in money market or similar funds with assets of at least \$1,000,000,000 and rated Aaa by Moody's or AAA by S&P.
- (g) Investments (i) made by the Borrower in or to any Loan Parties or (ii) made by Loan Parties in or to each other or the Borrower.
- (h) if such Investment is made using the net cash proceeds from the issuance of Equity Interests of the Parent or at the time of and immediately after giving pro forma effect to such Investment the ratio of Total Debt to EBITDAX is less than 2.00 to 1.00, Investments in:
 - (i) direct ownership interests in additional Oil and Gas Properties and oil and gas gathering systems related thereto or related to farm-out, farm-in, joint operating, joint venture or area of mutual interest agreements, gathering systems, pipelines or other similar arrangements which are usual and customary in the oil and gas exploration and production business located within the geographic boundaries of the United States of America; and
 - (ii) Persons engaged primarily in the business of acquiring, developing and producing Oil and Gas Properties within the geographic boundaries of the United States of America; provided that with respect to any Investment described in this clause (ii), immediately after making such Investment, such Person becomes as Loan Party in accordance with Section 8.14.
- (i) loans or advances to employees, officers or directors in the ordinary course of business of the Borrower or any of the other Loan Parties, in each case only as permitted by applicable law, including Section 402 of the Sarbanes Oxley Act of 2002, but in any event not to exceed \$1,000,000 in the aggregate at any time.
- (j) Investments in stock, obligations or securities received in settlement of debts arising from Investments permitted under this Section 9.05 owing to the Borrower or any other Loan Party as a result of a bankruptcy or other insolvency proceeding of the obligor in respect of such debts or upon the enforcement of any Lien in favor of the Borrower or any of the other Loan Parties or in connection with the settlement of delinquent accounts and disputes with customers

and suppliers; 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(j) exceeds \$250,000.

(k) Investments pursuant to Swap Agreements or hedging agreements otherwise permitted under this Agreement.

(l) other Investments not to exceed \$5,000,000 in the aggregate at any one time outstanding.

Section 9.06 Nature of Business; No International Operations. Parent and the Borrower will not allow any material change to be made in the character of its business as an independent oil and gas exploration and production company. The Loan Parties will not acquire or make any other expenditures (whether such expenditure is capital, operating or otherwise) in or related to any Oil and Gas Properties not located within the geographical boundaries of the United States. The Borrower will not acquire or create any Foreign Subsidiary.

Section 9.07 Proceeds of Loans. Parent and the Borrower will not permit the proceeds of the Loans to be used for any purpose other than those permitted by Section 7.23. No Loan Party nor any Person acting on behalf of the Borrower has taken or will take any action which causes 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 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. Except as could not reasonably be expected to result in a Material Adverse Effect, the Borrower will not, and will not permit any other Group Member to, at any time:

(a) Allow any ERISA event to occur.

(b) contribute to or assume an obligation to contribute to, or permit any Subsidiary to contribute to or assume an obligation to contribute to, any Multiemployer Plan.

(c) acquire, or permit any Subsidiary to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to any Subsidiary if such Person sponsors, maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, any Multiemployer Plan.

Section 9.09 Sale or Discount of Receivables. Except for receivables obtained by the Loan Parties 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, Parent and the Borrower will not, and will not permit any other Loan Party to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

Section 9.10 Mergers, Etc. Neither the Borrower nor any other Loan Party will merge into or with or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, 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) (any such transaction, a “consolidation”), or liquidate or dissolve, except that (a) any Subsidiary of Borrower may be merged into or consolidated with (i) another Subsidiary of Borrower, so long as a Guarantor is the surviving business entity, or (ii) Borrower, so long as Borrower is the surviving business entity, (b) any Subsidiary of Parent (that is not a Subsidiary of Borrower) may be merged or consolidated with (i) a Subsidiary of Borrower, so long as a Guarantor is the surviving business entity, (ii) Borrower, so long as Borrower is the surviving business entity or (iii) another Subsidiary of Parent (that is not a Subsidiary of Borrower), so long as if either Subsidiary is a Guarantor, a Guarantor is the surviving business entity and (c) in connection with any disposition permitted by Section 9.11.

Section 9.11 Sale of Properties and Termination of Hedging Transactions. Parent and the Borrower will not, and will not permit any other Loan Party to, sell, assign, farm-out, convey or otherwise transfer any Property (subject to Section 9.10) except for:

(a) the sale of Hydrocarbons in the ordinary course of business (including oil and gas sold as produced and seismic data);

(b) farmouts in the ordinary course of business of undeveloped acreage or undrilled depths and assignments in connection with such farmouts;

(c) the sale or transfer of (i) equipment that is no longer necessary for the business of the Borrower or such other Loan Party or are replaced by equipment of at least comparable value and use and (ii) immaterial assets (including allowing any registrations or any applications for registration of any intellectual property to lapse or go abandoned in the ordinary course of business) and (iii) termination of leases and licenses in the ordinary course of business, in each case so long as, after giving effect to the disposition, no Event of Default would exist or result therefrom;

(d) the sale or other disposition of any Oil and Gas Property to which no Proved Reserves are attributed and the pooling or unitization of Oil and Gas Properties to which no Proved Reserves are attributed, so long as, after giving effect to the disposition and the concurrent payment of Loans, no Event of Default would exist or result therefrom;

(e) the sale or other disposition (including Casualty Events) of any Borrowing Base Property or any interest therein (including any Equity Interest in any Loan Party that owns Borrowing Base Property), or the termination, unwinding, cancellation or other disposition of Swap Agreements; provided that:

(i) 100% of the consideration received in respect of such sale or other disposition of any such Borrowing Base Property (or such Equity Interest) shall be cash;

(ii) (other than in respect of Casualty Events) the consideration received in respect of a sale or other disposition of such Borrowing Base Property or interest therein (or such Equity Interest) shall be equal to or greater than the fair market value of such Borrowing Base Property or interest therein (or such Equity Interest) subject of such sale or other disposition (as reasonably determined by a Responsible Officer of the Borrower and if requested by the Administrative Agent, the Borrower shall deliver a certificate of a Responsible Officer of the Borrower certifying to the foregoing); and

(iii) if, during any period between two successive Scheduled Redetermination Dates, the sum of the Borrowing Base Value of (A) all Borrowing Base Properties included in the most recently delivered Reserve Report that are sold or otherwise disposed of during

such period (including any Equity Interests in any Loan Party that owns Borrowing Base Properties) and (B) all Swap Agreements upon which the Lenders relied in determining the Borrowing Base (after giving effect to any replacement Swap Agreements) terminated or off-set (regardless of how evidenced) during such period exceeds five percent (5%) of the then effective Borrowing Base, individually or in the aggregate, the Borrowing Base shall be contemporaneously reduced, as applicable, in an amount equal to such aggregate Borrowing Base Value.

(f) Transfers of Properties from any Loan Party to another Loan Party;

(g) Casualty Events with respect to Properties that are not Oil and Gas Properties;

(h) Dispositions or discounts without recourse of accounts receivable in connection with the compromise or collection thereof in the ordinary course of business; and

(i) Transfers of Properties (not otherwise regulated by Section 9.11(a) through (h)) that are not included in the Borrowing Base for fair market value so long as, after giving effect to the Transfer, no Event of Default would exist or result therefrom.

Section 9.12 Sales and Leasebacks. Parent and the Borrower will not, and will not permit any other Loan Party to enter into any arrangement with any Person providing for the leasing by any Loan Party of real or personal property that has been or is to be sold or transferred by such Loan Party to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Loan Party.

Section 9.13 Environmental Matters. Parent and the Borrower will not, and will not permit any other Group Member to, (a) cause or knowingly permit any of its Property to be in violation of, or (b) do anything or knowingly permit anything to be done which will subject any such Property to any Remedial Work (other than Remedial Work done in the ordinary course of business) under, any Environmental Laws that could reasonably be expected to have a Material Adverse Effect; it being understood that clause (b) above will not be deemed as limiting or otherwise restricting any obligation to disclose any relevant facts, conditions and circumstances pertaining to such Property to the appropriate Governmental Authority.

Section 9.14 Transactions with Affiliates. Except for (x) payment of Restricted Payments permitted by Section 9.04 and (y) for transactions set forth on Schedule 9.14 (in each case consistent with past practices), Parent and the Borrower will not, and will not permit any other Loan Party to, enter into any material transaction, including any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than between Borrower and Loan Parties) unless such transactions are otherwise permitted under this Agreement and 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.

Section 9.15 Negative Pledge Agreements; Dividend Restrictions. Parent and the Borrower will not, and will not permit any other Loan Party to, create, incur, assume or suffer to exist any contract, agreement or understanding which in any way prohibits or restricts (a) the granting, conveying, creation or imposition of any Lien on any of its Property to secure the Secured Obligations or which requires the consent of other Persons in connection therewith or (b) the Borrower or any other Loan Party from paying dividends or making distributions to any Loan Party or receiving any money in respect of Debt or other obligations owed to it, or which requires the consent of or notice to other Persons in connection therewith; provided that (i) the foregoing shall not apply to restrictions and conditions under the Loan Documents, (ii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of any asset or another Loan Party pending such sale; provided such restrictions and conditions

apply only to the asset or other Loan Party that is to be sold and such sale is permitted hereunder and shall not apply to restrictions on cash earned money deposits in favor of sellers in connection with acquisitions not prohibited hereunder, (iii) the foregoing shall not apply to customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted hereunder and applicable solely to such joint venture and its equity, (iv) the foregoing shall not apply to the Intercreditor Agreement, the Term Loan Documents and any agreement governing Permitted Refinancing Debt with respect to the Term Debt and (v) clause (a) of the foregoing shall not apply to (A) restrictions or conditions imposed by any agreement relating to Capital Leases or purchase money Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Secured Obligations, (B) customary provisions in leases and licenses restricting the assignment thereof, and (C) limitations and restrictions arising or existing by reason of applicable Governmental Requirement.

Section 9.16 Take-or-Pay or other Prepayments. Parent and the Borrower will not, and will not permit any other Loan Party to, allow take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any other Loan Party that would require the Borrower or such other Loan Party to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor.

Section 9.17 Swap Agreements. Parent and the Borrower will not, and will not permit any other Loan Party to, enter into any Swap Agreements with any Person other than (a) Swap Agreements (i) with a Secured Swap Provider or an Approved Counterparty, (ii) which have a tenor of less than five (5) years and (iii) the notional volumes for which (when aggregated and netted with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, as of the date such Swap Agreement is executed and at any time thereafter (such notional volumes to be based upon the projections contained in the then-most recently delivered Reserve Report), (A) 90% of the projected production from the Proved Reserves classified as Developed Producing Reserves attributable to the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for each month during the period commencing on the month when such Swap Agreement is executed and ending 30 months later; and (B) 80% of the projected production from the Proved Reserves classified as Developed Producing Reserves attributable to the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for each month during the period commencing on 31st month after when such Swap Agreement is executed and ending on the 60th month after when such Swap Agreement is executed; provided, that if the Borrower and the Required Lenders agree in writing (including by email), then (x) the notional volumes referred to in this Section 9.17(a)(iii) (when aggregated and netted with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) may instead not exceed a percentage of projected production from the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, that is reasonably acceptable to the Required Lenders and agreed to by the Borrower and (y) the projections of notional volume upon which the percentage referred to in clause (x) are based may be as are reasonably acceptable to the Required Lenders and agreed to by the Borrower, (b) Swap Agreements in respect of interest rates with a Secured Swap Provider which do not exceed 50% of the then outstanding principal amount of the Borrower's Debt for borrowed money and do not have a tenor beyond the maturity date of the relevant Debt, and (c) Swap Agreements entered into by a Loan Parties with the purpose and effect of fixing prices on currency expected to be exchanged (x) from Dollars into Australian dollars or (y) from Australian dollars into Dollars, in each case in the ordinary course of the Loan Parties' business and not for speculative purposes, provided that at all times: (i) no such Swap Agreements fixes a price for a period later than 12 months after such contract is entered into, (ii) the Loan Parties must maintain at all times Cash Equivalents at least equal to the aggregate notional amount of all such contracts, (iii) if any monthly notional amount of currency subject to any such Swap Agreements is on deposit in any Section 1031 tax-deferred exchange account (or other similar restricted account), then such amount must be permanently released from such account or restrictions prior

to the date on which the Swap Agreements for such month is settled, (iv) each such contract is with an Approved Counterparty and (v) unless such Swap Agreement is being entered into in connection with an issuance of Equity Interests of Parent, the Administrative Agent has consented to the entry into such Swap Agreements; provided that (1) in no event shall any Swap Agreement contain any requirement, agreement or covenant for any Loan Party to post collateral or margin to secure their obligations under such Swap Agreement or to cover market exposures (other than under the Security Instruments), (2) Swap Agreements shall only be entered into in the ordinary course of business (and not for speculative purposes), (3) any Swap Agreement with an Approved Counterparty that is not a Secured Swap Provider shall contain the following terms (each of which shall be subject to the prior written approval of the Administrative Agent): (i) an express acknowledgment of the Liens granted by the applicable Loan Party to the Administrative Agent (for the benefit of the Lenders) of any amounts payable to such Loan Party under such Swap Agreement and that such Approved Counterparty has not taken and will not require any cash margin or other collateral or credit support to secure such Loan Party's obligations thereunder, (ii) an agreement to pay all such amounts payable to such Loan Party (without deduction, counterclaim or setoff) to the Administrative Agent from and after delivery of a notice to such effect by the Administrative Agent to such Approved Counterparty, and (iii) an agreement that Administrative Agent and the Lenders (x) are third party beneficiaries to such Swap Agreement with respect to foregoing provisions, (y) are entitled to enforce such provisions directly against such Approved Counterparty, and (z) must approve any waiver, amendment or modification of such provisions, and (4) no Swap Agreement in respect of commodities shall be terminated, unwound, cancelled or otherwise disposed of except to the extent permitted by Section 9.11; provided, further, that nothing in this Section 9.17 (other than the immediately preceding clause (3)) shall restrict the ability of the Loan Parties to enter into puts and floor contracts.

Section 9.18 Amendments to Organizational Documents, Term Loan Documents, and Material Contracts. Parent and the Borrower shall not, and shall not permit any other Loan Party to, (a) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) its Organizational Documents in any material respect that could reasonably be expected to be adverse to the interests of the Administrative Agent or the Lenders without the consent of the Administrative Agent (not to be unreasonably withheld or delayed), other than amendments that delete or reduce any fees payable by any Loan Party to a Person other than the Administrative Agent or any Lender, (b) amend, modify or waive any provision of any Term Loan Document if such amendment, modification or waiver is prohibited under the Intercreditor Agreement, (c) grant a Lien on any Property to secure the Term Debt without contemporaneously granting to Administrative Agent, as security for the Secured Obligations, a first priority Lien on the same Property pursuant to Security Instruments in form and substance satisfactory to Administrative Agent, (d) call, make or offer to make any Redemption of or otherwise Redeem any Term Debt (including any optional or mandatory prepayment of any Term Debt) other than (i) to the extent required pursuant to the terms of Section 3.04 of the Term Credit Agreement, the Borrower may make mandatory prepayments of the Term Debt, so long as after giving pro forma effect to such prepayment (A) no Event of Default or Borrowing Base Deficiency exists and is continuing and (B) Liquidity is not less than 30.0% of the then effective Borrowing Base, (ii) by converting or exchanging the Term Debt into Equity Interests of Parent or (iii) with the cash proceeds received from (A) the issuance of Equity Interests of the Parent or (B) any Permitted Refinancing Debt in respect of the Term Debt, or (e) (i) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) any agreement to which it is a party, (ii) terminate, replace or assign any of the Loan Party's interests in any agreement or (iii) permit any agreement not to be in full force and effect and binding upon and enforceable against the parties thereto, in each case if such occurrence could be reasonably expected to result in a Material Adverse Effect.

Section 9.19 Changes in Fiscal Periods. Parent and the Borrower shall not, and shall not permit any other Loan Party to have its fiscal year end on a date other than December 31 or change the its method of determining fiscal quarters.

Section 9.20 Anti-Terrorism Laws. Parent and the Borrower shall not permit, and shall not permit the other Loan Parties to (a) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 7.26 above, (b) deal in, or otherwise engage in any transaction relating to, any property of interests in property blocked pursuant to the Executive Order of any other Anti-Terrorism Law or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, (x) any of the prohibitions set forth in any Anti-Terrorism Law or (y) any prohibitions set forth in the rules or regulations issued by OFAC (and, in each case, the Borrower shall, and shall cause each of the Loan Parties to, promptly deliver or cause to be delivered to the Lenders any certification or other evidence requested from time to time by any Lender in its reasonable discretion, confirming the Loan Parties' compliance with this Section 9.20).

Section 9.21 Sanctions. The Borrower will not request any Borrowing or Letter of Credit, and the Borrower shall not, directly or indirectly, use, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not, directly or indirectly, use, the proceeds of any Borrowing or Letter of Credit directly (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 the FCPA or any other applicable 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, or (c) in any manner that would result in the violation of any Sanctions by any Person (including any Person participating in the Loans or Letters of Credit, whether as Administrative Agent, Arranger, Issuing Bank, Lender, underwriter, advisor, investor, or otherwise).

Section 9.22 Gas Imbalances. Parent and the Borrower shall not and shall not permit any other Loan Party to allow on a net basis gas imbalances with respect to the Oil and Gas Properties of the Borrower or any Loan Party that would require the Borrower or such Loan Party to deliver Hydrocarbons produced from their Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding two percent (2.0%) of the aggregate volumes of Hydrocarbons (on an Mcf equivalent basis) listed in the most recent Reserve Report.

Section 9.23 Minimum Revenue Contracts. Parent and the Borrower will not, and will not permit any other Loan Party to, allow unutilized capacity under any minimum revenue commitment, minimum volume commitment or similar provision in any operating, gathering, handling, transportation, processing or marketing contracts attributable to the Oil and Gas Properties of the Borrower or any other Loan Party to exceed \$5,000,000 in the aggregate for any fiscal quarter. In the event of such shortfall, then the Borrower shall cure such shortfall, or cause such shortfall to be cured, within 90 days with the net cash proceeds received from the issuance of Equity Interests of the Parent.

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 in respect of any LC Disbursement 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) any Loan Party 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 the Borrower or any other Loan 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, notice, 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, to the extent that any such representation and warranty is qualified by materiality, such representation and warranty (as so qualified) shall prove to have been incorrect in any respect when made or deemed made).

(d) the Borrower or any other Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 8.02(a), Section 8.03, Section 8.14 or in ARTICLE IX.

(e) the Borrower or any other Loan 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), Section 10.01(c) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the earlier to occur of (A) written notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender) or (B) a Responsible Officer of the Borrower or such other Loan Party otherwise becoming aware of such default.

(f) the Borrower or any other Loan Party shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any grace periods applicable thereto.

(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 the Borrower or any other Loan Party to make an offer in respect thereof.

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Loan Party, or its or their debts, or of a substantial part of its or their assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan Party or for a substantial part of its or their 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.

(i) the Borrower or any other Loan Party shall (i) 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, (ii) 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), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan

Party or for a substantial part of its or their assets, (iv) file an answer admitting the material allegations of a petition filed against it or them in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) take any action for the purpose of effecting any of the foregoing; or (vii) become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(j) one or more judgments for the payment of money in an aggregate amount in excess of \$4,000,000 (to the extent not covered by independent third party insurance as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) shall be rendered against any Loan Party or any combination thereof and the same shall remain undischarged 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 Loan Party to enforce any such judgment.

(k) any Loan Documents after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Borrower or a Loan Party thereto or shall be repudiated by any of them, or cease to create a valid and perfected Lien of the priority required thereby on any material portion of the Collateral purported to be covered thereby except to the extent permitted by the terms of this Agreement, or the Borrower or any other Loan Party or any of their Affiliates shall so state in writing.

(l) a Change in Control shall occur.

(m) the Intercreditor Agreement, after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with its terms against the Borrower or any other party thereto or shall be repudiated in writing by any Loan Party, or any payment is made by any Loan Party in violation of the terms of the Intercreditor Agreement.

Section 10.02 Remedies.

(a) In the case of an Event of Default (other than one described in Section 10.01(h) or Section 10.01(i)), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may with the consent of the Majority Lenders or shall at the request of the Majority Lenders, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) by written notice to the Borrower, 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 Loan Parties accrued hereunder and under the Notes and the other Loan Documents (including the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall become due and payable immediately, without presentment, demand (other than written notice), protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by each Loan Party; and in case of an Event of Default described in Section 10.01(h) or Section 10.01(i), 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 Borrower and the other Loan Parties accrued hereunder and under the Notes and the other Loan Documents (including the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall

automatically and immediately become due and payable, 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 each Loan 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 Loans, whether by acceleration or otherwise, shall be applied:

(i) first, to payment or reimbursement of that portion of the Secured 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 Secured Obligations constituting fees, expenses and indemnities payable to the Lenders;

(iii) third, pro rata to payment of accrued interest on the Loans;

(i v) fourth, pro rata to payment of principal outstanding on the Loans and Secured Obligations referred to in clause (y) of the definition of Secured Obligations in respect of Secured Cash Management Agreements and Secured Swap Agreements;

(v) fifth, pro rata to any other Secured Obligations;

(vi) sixth, to serve as cash collateral to be held by the Administrative Agent to secure the LC Exposure; and

(vii) seventh, any excess, after all of the Secured 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, amounts received from the Borrower or any Guarantor that is not an “eligible contract participant” under the Commodity Exchange Act shall not be applied to any Excluded Swap Obligations (it being understood, that in the event that any amount is applied to Secured Obligations other than Excluded Swap Obligations as a result of this clause, the Administrative Agent shall make such adjustments as it determines are appropriate to distributions pursuant to clause fourth above from amounts received from “eligible contract participants” under the Commodity Exchange Act to ensure, as nearly as possible, that the proportional aggregate recoveries with respect to Secured Obligations described in clause fourth above by the holders of any Excluded Swap Obligations are the same as the proportional aggregate recoveries with respect to other Secured Obligations pursuant to clause fourth above).

ARTICLE XI THE ADMINISTRATIVE AGENT

Section 11.01 Appointment; Powers. Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Section 11.02 Duties and Obligations of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing (the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law; rather, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties), (b) the Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except as provided in Section 11.03, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any Loan Party that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Loan Document or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in ARTICLE VI or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or as to those conditions precedent expressly required to be to the Administrative Agent’s satisfaction, (vi) the existence, value, perfection or priority of any collateral security or the financial or other condition of the Borrower and the other Group Members or any other obligor or guarantor, or (vii) any failure by the Borrower or any other Person (other than itself) to perform any of its obligations hereunder or under any other Loan Document or the performance or observance of any covenants, agreements or other terms or conditions set forth herein or therein. For purposes of determining compliance with the conditions specified in ARTICLE VI, each Lender and the Issuing Bank shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender or the Issuing Bank unless the Administrative Agent shall have received written notice from such Lender prior to the Effective Date specifying its objection thereto.

Section 11.03 Action by Administrative Agent. The Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) and in all cases the Administrative Agent shall be fully justified in failing or refusing to act hereunder or under any other Loan Documents unless it shall (a) receive written instructions from the Majority Lenders or the Lenders, as applicable, (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) specifying the action to be taken and (b) be indemnified to its satisfaction by the Lenders against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action. The instructions as aforesaid and any action taken or failure to act pursuant thereto by the Administrative Agent shall be binding on all of the Lenders. If a Default has occurred and is continuing, then the Administrative Agent shall take such action with respect to such Default as shall be directed by the requisite Lenders in the written instructions (with indemnities) described in this Section 11.03, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders.

In no event, however, shall the Administrative Agent be required to take any action which, in its opinion, or the opinion of its counsel, exposes the Administrative Agent to liability or which is contrary to this Agreement, the Loan Documents or applicable law, including, for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law. If a Default has occurred and is continuing, no Agent shall have any obligation to perform any act in respect thereof. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Majority Lenders or the Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02), and otherwise the Administrative Agent shall not be liable for any action taken or not taken by it hereunder or under any other Loan Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith INCLUDING ITS OWN ORDINARY NEGLIGENCE, except for its own gross negligence or willful misconduct.

Section 11.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon and each of the Borrower and the Lenders and the Issuing Bank hereby waives the right to dispute the Administrative Agent's record of such statement, except in the case of gross negligence or willful misconduct by the Administrative Agent. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof permitted hereunder shall have been filed with the Administrative Agent.

Section 11.05 Subagents. The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this ARTICLE XI shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 11.06 Resignation of Administrative Agent.

(a) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 11.06, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Majority Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a qualified financial institution as successor Administrative Agent. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this ARTICLE XI and Section 12.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their

respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

(b) If the Person serving as Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Majority 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. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Majority Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

Section 11.07 Administrative Agent as Lender. The Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any other Group Member or other Affiliate thereof as if it were not the Administrative Agent hereunder.

Section 11.08 No Reliance. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Loan Document to which it is a party. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or any other Lender, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder. The Agents shall not be required to keep themselves informed as to the performance or observance by the Borrower, or any of the other Group Members of this Agreement, the Loan Documents or any other document referred to or provided for herein or to inspect the Properties or books of any such Person. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent nor any Arranger shall have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower or any Group Member (or any of their Affiliates) which may come into the possession of such Agent or any of its Affiliates. In this regard, each Lender acknowledges that Haynes and Boone, LLP is acting in this transaction as special counsel to the Administrative Agent only, except to the extent otherwise expressly stated in any legal opinion or any Loan Document. Each other party hereto will consult with its own legal counsel to the extent that it deems necessary in connection with the Loan Documents and the matters contemplated therein.

Section 11.09 Administrative Agent May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any of the other Group Members, the Administrative Agent (irrespective of whether the principal of any Loan or LC Disbursement shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, LC Disbursements and all other Secured Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Bank and the Administrative Agent (including any claim

for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 2.08, Section 3.05 and Section 12.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders and the Issuing Bank, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 3.05 and Section 12.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or the Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Secured Obligations or the rights of any Lender or the Issuing Bank or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 11.10 Authority of Administrative Agent to Release Collateral and Liens. The Lenders and the Issuing Bank, and by accepting the benefits of the Collateral, each Secured Swap Provider and each Secured Cash Management Provider:

(a) irrevocably authorize the Administrative Agent to comply with the provisions of Section 12.18.

(b) authorize the Administrative Agent to execute and deliver to the Loan Parties, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments or other documents as reasonably requested by such Loan Party in connection with any Disposition of Property to the extent such Disposition is permitted by the terms of Section 9.11 or is otherwise authorized by the terms of the Loan Documents.

Upon request by the Administrative Agent at any time, the Majority Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guarantee and Collateral Agreement pursuant to this Section 11.10 or Section 12.18.

Section 11.11 Duties of the Arranger. The Arranger shall not have any duties, responsibilities or liabilities under this Agreement and the other Loan Documents.

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, as follows:

(i) if to the Borrower, to it at 633 17th Street, Suite 1950, Denver, Colorado 80202, Attention: Eric P. McCrady (Telephone 303-543-5700);

(ii) if to the Parent, to it at 633 17th Street, Suite 1950, Denver, Colorado 80202, Attention: Eric P. McCrady (Telephone 303-543-5700);

(iii) if to the Administrative Agent, to it at Natixis, New York Branch, 1251 Avenue of the Americas, 5th Floor, New York, NY 10020, Attention: Urs Fischer (Telephone (212) 891-1954), with a copy, Attention: Hana Beckles (Telephone (212) 583-4913);

(iv) if to Natixis, as the Issuing Bank, to it at Natixis, New York Branch, 1251 Avenue of the Americas, 3rd Floor, New York, NY 10020, Attention: Wilbert Velazquez (Telephone (212) 872-5051), with a copy, Attention: Herman Reeves (Telephone (212) 872-5109); and

(v) if to any other Lender or Issuing Bank, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications 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.

(c) 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, any other Agent, the Issuing Bank or 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, each 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 any Loan Party 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 Loan Document 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/or the other applicable Loan Parties, Administrative Agent and the Majority Lenders or by the Borrower and/or the other applicable Loan Parties and the Administrative Agent with the consent of the Majority Lenders; provided that no such agreement shall (i) increase the Maximum Credit Amount of any Lender without the written consent of such Lender, (ii) except as otherwise provided in Section 2.07, increase the Borrowing Base without the written consent of each non-Defaulting Lender, or decrease or maintain the Borrowing Base without the consent of the Required Lenders; provided that a Scheduled Redetermination may be postponed by the Required Lenders, (iii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, or reduce any other Secured Obligations hereunder or under any other Loan Document, without the written consent of each Lender directly affected thereby, (iv) postpone the scheduled date of payment or prepayment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or any other Secured Obligations hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Maturity Date or the Termination Date without the written consent of each Lender directly affected thereby, (v) change Section 4.01(b) or Section 4.01(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) waive or amend Section 3.04(c)-(d), Section 6.01, Section 10.02(c) or Section 12.18 without the written consent of each Lender directly affected thereby (other than any Defaulting Lender), (vii) release any Guarantor (except as set forth in Section 11.10 or the Guarantee and Collateral Agreement), release all or substantially all of the Collateral (other than as provided in Section 11.10), or reduce the percentages set forth in Section 8.14(a), without the written consent of each Lender (other than any Defaulting Lender), (viii) change any of the provisions of this Section 12.02(b) or the definitions of “Majority Lenders” or “Required 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 directly affected thereby (other than any Defaulting Lender); provided, however, that any waiver or amendment that relates to the reduction of voting percentages related to Lenders, solely as a class, shall require the consent of each such Lender; (ix) change Section 10.02(c) without the consent of each Person to whom a Secured Obligation is owed; or (x) contractually subordinate the payment of all the Secured Obligations to any other Debt or contractually subordinate the priority of any of the Administrative Agent’s Liens to the Liens securing any other Debt, in each case, without the written consent of each Person to whom a Secured Obligation is owed (other than any Defaulting Lender); provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or Issuing Bank hereunder or under any other Loan Document without the prior written consent of the Administrative Agent or Issuing Bank, as the case may be. Notwithstanding the foregoing, any supplement to any Schedule 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. Notwithstanding the foregoing, the Borrower and the Administrative Agent may amend this Agreement or any other Loan Document without the consent of the Lenders in order to correct, amend or cure any ambiguity, inconsistency or defect or correct any typographical error or other manifest error in any Loan Document.

Section 12.03 Expenses, Indemnity; Damage Waiver.

(a) Parent and the Borrower, jointly and severally, shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable and documented fees, charges and disbursements of one primary counsel for the Administrative Agent and its Affiliates, one local counsel for the Administrative Agent and its Affiliates (x) in each jurisdiction, other than Texas or Delaware, in which any Loan Party is formed or organized and (y) in each jurisdiction, other than Texas, in which any Borrowing Base Property is located, and to the extent necessary as reasonably determined by the Administrative Agent, other outside consultants for the Administrative Agent, the reasonable and documented travel, photocopy, mailing, courier, telephone, distributions, insurance, bank meetings and other similar expenses, and the reasonable and documented 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), (ii) all reasonable and documented costs, expenses, Taxes, assessments and other charges incurred by the Administrative Agent in connection with any search, filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, (iii) all reasonable and documented 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, (iv) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, any other Agent, the Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any other 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 all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit (including, without limitation, periodic collateral/financial control, field examinations, asset appraisal expenses, the monitoring of assets, enforcement or rights and other miscellaneous disbursements).

(b) PARENT AND THE BORROWER, JOINTLY AND SEVERALLY, SHALL INDEMNIFY EACH AGENT, THE ARRANGER, 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 ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE AND DOCUMENTED OUT-OF-POCKET FEES, CHARGES AND DISBURSEMENTS OF ONE FIRM OF COUNSEL FOR ALL INDEMNITEES TAKEN AS A WHOLE (AND, IF NECESSARY, BY A SINGLE FIRM OF LOCAL COUNSEL IN EACH APPROPRIATE JURISDICTION FOR ALL INDEMNITEES, TAKEN AS A WHOLE (AND, IN THE CASE OF AN ACTUAL OR PERCEIVED CONFLICT OF INTEREST WHERE THE INDEMNITEE AFFECTED BY SUCH CONFLICT INFORMS THE BORROWER OF SUCH CONFLICT AND THEREAFTER RETAINS ITS OWN COUNSEL, OF ANOTHER FIRM OF COUNSEL FOR SUCH AFFECTED INDEMNITEE)), INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (i) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY

OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, (ii) 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, (iii) THE FAILURE OF THE BORROWER OR ANY LOAN PARTY TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (iv) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE BORROWER OR ANY LOAN PARTY SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (v) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM, INCLUDING (A) 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 (B) 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, (vi) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vii) THE OPERATIONS OF THE BUSINESS OF THE BORROWER OR ANY OTHER GROUP MEMBER BY SUCH PERSONS, (viii) ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (ix) ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY OTHER GROUP MEMBER OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT OF OIL, OIL AND GAS WASTES, SOLID WASTES OR HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, (x) THE BREACH OR NON-COMPLIANCE BY THE BORROWER OR ANY OTHER GROUP MEMBER WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY OTHER GROUP MEMBER, (xi) THE PAST OWNERSHIP BY THE BORROWER OR ANY OTHER GROUP MEMBER 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, (xii) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT, DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL OF OIL, OIL AND GAS WASTES, SOLID WASTES OR HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE BORROWER OR ANY OTHER GROUP MEMBER OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE BORROWER OR ANY OTHER GROUP MEMBER, (xiii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE BORROWER OR ANY OTHER GROUP MEMBER, (xiv) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, WHETHER BROUGHT BY A THIRD PARTY OR BY ANY LOAN PARTY, 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 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 INCLUDING ORDINARY NEGLIGENCE; 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 (X) ARISE FROM THE GROSS NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE, (Y) ARISE SOLELY OUT OF ANY CLAIM, ACTION, INQUIRY, SUIT, LITIGATION, INVESTIGATION OR PROCEEDING THAT DOES NOT INVOLVE AN ACT OR OMISSION OF ANY LOAN PARTY, ANY OF THEIR AFFILIATES OR SUBSIDIARIES AND THAT IS BROUGHT BY AN INDEMNITEE AGAINST ANY OTHER INDEMNITEE (OTHER THAN ANY CLAIM, ACTION, SUIT, INQUIRY, LITIGATION, INVESTIGATION OR PROCEEDING AGAINST THE ADMINISTRATIVE AGENT IN ITS CAPACITY OR IN FULFILLING ITS ROLE AS AN ADMINISTRATIVE AGENT OR (Z) RELATE TO TAXES, WHICH SHALL BE SUBJECT TO INDEMNIFICATION PURSUANT TO SECTION 5.03.

(c) NEITHER PARENT NOR THE BORROWER SHALL, WITHOUT THE PRIOR WRITTEN CONSENT OF EACH INDEMNITEE AFFECTED THEREBY, SETTLE ANY THREATENED OR PENDING CLAIM OR ACTION THAT WOULD GIVE RISE TO THE RIGHT OF ANY INDEMNITEE TO CLAIM INDEMNIFICATION HEREUNDER UNLESS SUCH SETTLEMENT (X) INCLUDES A FULL AND UNCONDITIONAL RELEASE (WITH SUCH RELEASE IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO INDEMNITEE) OF ALL LIABILITIES ARISING OUT OF SUCH CLAIM OR ACTION AGAINST SUCH INDEMNITEE, (Y) DOES NOT INCLUDE ANY STATEMENT AS TO OR AN ADMISSION OF FAULT, CULPABILITY OR FAILURE TO ACT BY OR ON BEHALF OF SUCH INDEMNITEE AND (Z) REQUIRES NO ACTION ON THE PART OF THE INDEMNITEE OTHER THAN ITS CONSENT.

(d) NO INDEMNITEE SEEKING INDEMNIFICATION OR CONTRIBUTION UNDER THIS AGREEMENT WILL, WITHOUT THE BORROWER'S WRITTEN CONSENT (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD, DELAYED OR CONDITIONED), SETTLE, COMPROMISE, CONSENT TO THE ENTRY OF ANY JUDGMENT IN OR OTHERWISE SEEK TO TERMINATE ANY INVESTIGATION, LITIGATION OR PROCEEDING REFERRED TO HEREIN; HOWEVER IF ANY OF THE FOREGOING ACTIONS IS TAKEN WITH THE BORROWER'S CONSENT OR IF THERE IS A FINAL AND NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION FOR THE PLAINTIFF IN ANY SUCH INVESTIGATION, LITIGATION OR PROCEEDING, THE BORROWER AGREES TO INDEMNIFY AND HOLD HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES BY REASON OF SUCH ACTION OR JUDGMENT IN ACCORDANCE WITH THE PROVISIONS OF THE PRECEDING PARAGRAPHS. NOTWITHSTANDING THE IMMEDIATELY PRECEDING SENTENCE, IF AT ANY TIME AN INDEMNITEE SHALL HAVE REQUESTED INDEMNIFICATION OR CONTRIBUTION IN ACCORDANCE WITH THIS AGREEMENT, PARENT AND THE BORROWER SHALL BE LIABLE FOR ANY SETTLEMENT OR OTHER ACTION REFERRED TO IN THE IMMEDIATELY PRECEDING SENTENCE EFFECTED WITHOUT THE BORROWER'S CONSENT IF (A) SUCH SETTLEMENT OR OTHER ACTION IS ENTERED INTO MORE THAN 30 DAYS AFTER RECEIPT BY THE BORROWER OF SUCH REQUEST FOR SUCH INDEMNIFICATION OR CONTRIBUTION

AND (B) THE BORROWER SHALL NOT HAVE PROVIDED SUCH INDEMNIFICATION OR CONTRIBUTION IN ACCORDANCE WITH SUCH REQUEST PRIOR TO THE DATE OF SUCH SETTLEMENT OR OTHER ACTION.

(e) No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, except to the extent that such damages have resulted from the willful misconduct, bad faith or gross negligence of any Indemnitee (as determined by a final non-appealable judgment of a court of competent jurisdiction).

(f) To the extent that Parent or the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, any Agent, any Arranger or any Issuing Bank under Section 12.03(a) or (b), each Lender severally agrees to pay to the Administrative Agent, such Agent, such Arranger or such Issuing Bank, as the case may be, such Lender's Applicable Percentage (as 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 the Administrative Agent, such Agent, such Arranger or such Issuing Bank in its capacity as such.

(g) To the extent permitted by applicable law, Parent and the Borrower shall not, and shall cause each Group Member not to, assert, and hereby waives, any claim against any Indemnitee, 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. No Indemnitee, Loan Party or Subsidiary shall be liable for any 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 contained in this sentence shall limit any Indemnitee's rights to indemnification under this Section 12.03.

(h) All amounts due under this Section 12.03 shall be payable not later than 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 (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) 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(c)) 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) (2) Subject to the conditions set forth in Section 12.04(b)(iii), any Lender may assign to one or more assignees (each, an “Assignee”) 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 of:

(A) the Borrower (such consent not to be unreasonably withheld), provided that no consent of the Borrower shall be required if (1) an Event of Default has occurred and is continuing or (2) at any other time, such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided further, that the Borrower shall be deemed to have consented to any such assignment unless the Borrower shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received written notice thereof; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an Assignee that is a Lender immediately prior to giving effect to such assignment; and

(C) each Issuing Bank, provided that no consent of any Issuing Bank shall be required for an assignment to an Assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) [Reserved]

(iii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender, an Approved Fund 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 \$4,000, payable by the assigning Lender; and

(D) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and all documentation and other information required by Governmental Authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act; and

(E) the Assignee must not be a natural person, a Defaulting Lender or an Affiliate or Subsidiary of the Borrower.

(iv) Subject to Section 12.04(b)(v) and the acceptance and recording thereof, 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 Section 12.04(c).

(v) The Administrative Agent, acting solely for this purpose as a non-fiduciary 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 LC Disbursements 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 Annex I and forward a copy of such revised Annex I to the Borrower, the Issuing Bank and each Lender.

(vi) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the Assignee's completed Administrative Questionnaire, all documentation and other information required by Governmental Authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act, and, if required hereunder, applicable tax forms (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in this Section 12.04(b) and any written consent to such assignment required by this Section 12.04(b), 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).

(vii) Notwithstanding the foregoing, no assignment or participation shall be made to any Loan Party or any Affiliate of a Loan Party.

(c) (i) Any Lender may at any time, without the consent of, or notice to, the Borrower, the Administrative Agent, Issuing Bank or any other Person, sell participations to any Person (other than a natural Person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (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 (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) 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 (D) the selling Lender shall maintain the Participant Register. 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 first proviso to Section 12.02(b) 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(c)(iii), the Borrower agrees that each Participant shall be entitled to the benefits of Section 5.01, Section 5.02 and Section 5.03 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 4.01(c) as though it were a Lender. 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.

(ii) 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. A Participant that would be a Non-U.S. Lender if it were a Lender shall not be entitled to the benefits of Section 5.03 unless such Participant agrees, for the benefit of the Borrower, to comply with Section 5.03(g) as though it were a Lender (it being understood the documentation required under Section 5.03(g) shall be provided only to the selling Lender).

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or a central bank, and this Section 12.04(d) 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.

(e) 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 and the other Loan Parties 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 Loan 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 other Loan Documents 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 or other Secured Obligations are outstanding and so long as the Commitments have not expired or been 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 Secured 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 Secured Obligations 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 Borrower shall, and shall cause each other Loan Party to, 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 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 obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any of and all the obligations of the Borrower or any other Loan 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.

(a) THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY: SUBMITS (AND PARENT AND THE BORROWER SHALL CAUSE EACH GROUP MEMBER 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 DISTRICT COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND APPELLATE COURTS FROM ANY THEREOF; 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 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.

(c) EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS SPECIFIED IN SECTION 12.01 OR

SUCH OTHER ADDRESS AS IS SPECIFIED PURSUANT TO SECTION 12.01 (OR ITS ASSIGNMENT AND ASSUMPTION), SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANOTHER PARTY IN ANY OTHER JURISDICTION.

(d) 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.

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 (severally and not jointly) agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) 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 required to keep such Information confidential), (b) to the extent requested by any regulatory authority (including any self-regulatory authority) having authority over the Administrative Agent or any Lender, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) 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, (f) subject to an agreement containing provisions substantially the same as those of this Section 12.11, to (i) any Assignee of or Participant in, or any prospective Assignee of or Participant in, any of its rights or obligations under this Agreement (provided that such Person agrees to be bound by the provisions of this Section 12.11) or (ii) any actual or prospective counterparty (or its advisors) to any Swap Agreement or any other agreement under which payments are to be made or may be made by reference to the Loan Documents relating to the Borrower and its obligations (provided that such Person agrees to be bound by the provisions of this Section 12.11), (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 12.11 or (ii) 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 Parent, the Borrower or any Subsidiary relating to Parent, the Borrower or any Subsidiary and their businesses, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by Parent, the Borrower or a Subsidiary. 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 and each Issuing Bank shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender or any Issuing Bank under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Lender or such Issuing Bank 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: (a) 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 or such Issuing Bank under any of the Loan Documents or agreements or otherwise in connection with the Loans or 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 Secured Obligations (or, to the extent that the principal amount of the Secured Obligations shall have been or would thereby be paid in full, refunded by such Lender or such Issuing Bank to the Borrower); and (b) in the event that the maturity of the Loans or 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 or any Issuing Bank may never include more than the 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 or such Issuing Bank as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender or such Issuing Bank on the principal amount of the Debt (or, to the extent that the principal amount of the Debt 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 or such Issuing Bank, 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 (i) the amount of interest payable to any Lender or any Issuing Bank on any date shall be computed at the Highest Lawful Rate applicable to such Lender or such Issuing Bank pursuant to this Section 12.12 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender or such Issuing Bank would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender or such Issuing Bank, then the amount of interest payable to such Lender or such Issuing Bank in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender or such Issuing Bank 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 or such Issuing Bank if the total amount of interest had been computed without giving effect to this Section 12.12.

Section 12.13 Collateral Matters; Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Secured Obligations shall also extend to and be available to the Secured Swap Providers in respect of the Secured Swap Agreements as set forth herein. No Lender or any Affiliate of a Lender 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.

Section 12.14 No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans and any 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 any other Loan Party of the Borrower, any obligor, contractor, subcontractor, supplier or materialsman) shall have any rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent, Issuing Bank or Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.15 EXCULPATION PROVISIONS. 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."

Section 12.16 USA Patriot Act Notice. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Patriot Act.

Section 12.17 Flood Insurance Provisions. Notwithstanding any provision in this Agreement or any other Loan Document to the contrary, in no event is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Agreement or any other Loan Document. As used herein, "Flood Insurance Regulations" means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time, (d) the Flood Insurance Reform Act of 2004 and (e) the Biggert-Waters Flood Reform Act of 2012, and any regulations promulgated thereunder.

Section 12.18 Releases.

(a) Release Upon Payment in Full. Upon (i) the irrevocable and infeasible payment in full in cash of all principal, interest (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) and premium, if any, on all Loans outstanding under this Agreement, (ii) the payment in full in cash or posting of cash collateral in respect of all other obligations or amounts that are outstanding under this Agreement (other than indemnity obligations

not yet due and payable of which the Borrower has not received a notice of potential claim), including the posting of the cash collateral for outstanding Letters of Credit as required by the terms of this Agreement (other than Letters of Credit as to which other arrangements satisfactory to the Administrative Agent and the applicable Issuing Bank shall have been made), (iii) the termination of all Commitments, (iv) payment in full in cash of all amounts owed under and the termination of all obligations under each Secured Cash Management Agreement (other than obligations under Secured Cash Management Agreements not yet due and payable), and (v) the termination of all Secured Swap Agreements and the payment in full in cash or posting of acceptable collateral in respect of all other obligations or amounts that are owed to any Lender (or Lender Affiliate) under such Secured Swap Agreements as required by the terms thereof or the novation of such Secured Swap Agreements to third parties (the satisfaction of each of the foregoing clauses (i) through (v), "Payment in Full") the Administrative Agent, at the written request and expense of the Borrower, will promptly release, reassign and transfer the Collateral to the applicable Loan Parties.

(b) Further Assurances. If any of the Collateral shall be sold, transferred or otherwise disposed of by any Loan Party in a transaction permitted by the Loan Documents, such Collateral shall be automatically released from the Liens created by the Loan Documents and the Administrative Agent, at the request and sole expense of the applicable Loan Party, shall promptly execute and deliver to such Loan Party all releases or other documents reasonably necessary or desirable for the release of the Liens created by the applicable Security Instrument on such Collateral. At the request and sole expense of the Borrower, a Loan Party shall be released from its obligations under the Loan Documents in the event that all the capital stock or other Equity Interests of such Loan Party shall be sold, transferred or otherwise disposed of in a transaction permitted by the Loan Documents; provided that the Borrower shall have delivered to the Administrative Agent, at least five Business Days (or such shorter period as the Administrative Agent may agree in its sole discretion) prior to the date of the proposed release, a written request for release identifying the relevant Loan Party and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with this Agreement and the other Loan Documents.

Section 12.19 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, to the extent such liability is unsecured, 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;

(i i) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, 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 12.20 Intercreditor Agreements. Each Lender hereunder (a) acknowledges that it has received a copy of the Intercreditor Agreement, (b) consents to the terms and provisions of the Intercreditor Agreement, (c) agrees that it will be bound by and will not take any actions contrary to the provisions of the Intercreditor Agreement or, and (d) authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement as Senior Representative on behalf of such Lender.

[SIGNATURES BEGIN NEXT PAGE]

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

PARENT:

SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____

Name:

Title:

BORROWER:

SUNDANCE ENERGY, INC.

By: _____

Name:

Title:

SIGNATURE PAGE
CREDIT AGREEMENT

ADMINISTRATIVE AGENT:

NATIXIS, NEW YORK BRANCH,
as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

SIGNATURE PAGE
CREDIT AGREEMENT

LENDER:

NATIXIS, NEW YORK BRANCH,
as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

SIGNATURE PAGE
CREDIT AGREEMENT

ANNEX I

LIST OF MAXIMUM CREDIT AMOUNTS

Aggregate Maximum Credit Amounts

Name of Lender	Applicable Percentage	Applicable Percentage of the Initial Borrowing Base	Maximum Credit Amount
Natixis, New York Branch	48.5714%	\$42,500,000.00	\$ 121,428,571.43
Credit Agricole Corporate and Investment Bank	22.8571%	\$20,000,000.00	\$ 57,142,857.14
Bank of America, N.A.	17.1429%	\$15,000,000.00	\$ 42,857,142.86
Morgan Stanley Capital Group Inc.	11.4286%	\$10,000,000.00	\$ 28,571,428.57
TOTAL:	100.0%	\$87,500,000.00	\$ 250,000,000.00

ANNEX I

EXHIBIT A
FORM OF NOTE

[], 20[]

FOR VALUE RECEIVED, SUNDANCE ENERGY, INC., a Colorado Corporation, (the “Borrower”), hereby promises to pay to [Y] (the “Lender”), at the principal office of Natixis, New York Branch (the “Administrative Agent”), the principal sum of equal to the amount of such Lender’s Maximum Credit Amount, or, if greater or less, the aggregate unpaid principal amount of the Loans made by the Lender to the Borrower under the Credit Agreement (as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, interest rate, Interest Period and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, may be endorsed by the Lender on the schedules attached hereto or any continuation thereof or on any separate record maintained by the Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender’s or the Borrower’s rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of this Note.

This Note is one of the Notes referred to in the Credit Agreement dated as of April 23, 2018 among the Parent, the Borrower, the Administrative Agent, and the lenders signatory thereto (including the Lender), and evidences Loans made by the Lender thereunder (such Credit Agreement, as the same may be amended, amended and restated, modified, or otherwise supplemented from time to time, the “Credit Agreement”). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to, and is subject to the terms and conditions set forth in, the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the other Loan Documents. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

If this Note is placed into the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, the Borrower agrees to pay all fees and expenses to the holder hereof as and to the extent required by the Credit Agreement in addition to the principal and interest payable hereunder.

[Signature page follows.]

THIS NOTE SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH,
THE LAWS OF THE STATE OF NEW YORK.

SUNDANCE ENERGY, INC.

By: _____
Name: _____
Title: _____

Signature Page To
Note

EXHIBIT B

FORM OF BORROWING REQUEST

[], 20[]

Sundance Energy, Inc., a Colorado corporation, (the “Borrower”), pursuant to Section 2.03 of the Credit Agreement dated as of April 23, 2018 (together with all amendments, restatements, supplements or other modifications thereto, the “Credit Agreement”) among the Parent, the Borrower, Natixis, New York Branch, as Administrative Agent and the lenders (the “Lenders”) which are or become parties thereto (unless otherwise defined herein, each capitalized term used herein is defined in the Credit Agreement), hereby requests:

1. ☐ A Borrowing comprised of (select one):
 - ☐ Base Rate Loans
 - ☐ Eurodollar Loans
 2. ☐ A conversion of Base Rate Loans to Eurodollar Loans
 3. ☐ A conversion of Eurodollar Loans, with a current Interest Period ending on _____, _____, to Base Rate Loans
 4. ☐ A continuation of Eurodollar Loans, with a current Interest Period ending on _____, _____
 5. On _____ (a Business Day)¹
 6. In the amount of \$ _____.²
- and, if applicable:
7. For Eurodollar Loans: with an Interest Period of _____³ months.
 8. Amount of the Borrowing Base in effect on the date hereof is \$ _____.
 9. Total Credit Exposures on the date hereof (without regard to the requested Borrowing) is \$ _____.
 10. Pro forma total Credit Exposures (giving effect to the requested Borrowing) is \$ _____.

¹ If requesting (i) a new Eurodollar Loan, (ii) a conversion to or continuation of Eurodollar Loans or (iii) any conversion of Eurodollar Loans to Base Rate Loans, must be at least 3 Business Days after the date of this Borrowing Request. If requesting a new Base Rate Loan, must be at least 1 Business Day after the date of this Borrowing Request.

² Each borrowing/conversion/continuation must be at least \$500,000 (or in integral multiples of \$100,000 in excess thereof).

³ One, two, three or six months

11. Location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05 of the Credit Agreement, is as follows:

[_____]

[_____]

[_____]

[_____]

[_____]

EXHIBIT B

The undersigned certifies that he/she is the [*insert title of authorized officer*] of the Borrower, and that as such he/she is authorized to execute this request on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower, in the capacity described above and not in his or her individual capacity, that the Borrower is entitled to receive the requested Borrowing under the terms and conditions of the Credit Agreement.

SUNDANCE ENERGY, INC.

By: _____

Name:

Title:

Signature Page to
Borrowing Request

EXHIBIT C

[Reserved.]

EXHIBIT C

EXHIBIT D
FORM OF
COMPLIANCE CERTIFICATE

[_____] , 20[___]

The undersigned hereby certifies that he/she is the [*insert title of Financial Officer*] of Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia (the “Parent”), and that as such he/she is authorized to execute this certificate on behalf of the Parent. With reference to the Credit Agreement dated as of April 23, 2018 (together with all amendments, restatements, supplements or other modifications thereto being the “Agreement”) among the Parent, Sundance Energy, Inc., a Colorado Corporation (the “Borrower”), Natixis, New York Branch, as Administrative Agent, and the lenders (the “Lenders”) which are or become a party thereto, the undersigned certifies on behalf of the Parent, and not in his or her individual capacity, as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

- 1 There exists no Default or Event of Default [or specify Default and describe].
- 2 Attached hereto are the detailed computations necessary to determine whether the Parent and the Borrower is in compliance with Section 9.01 of the Agreement as of the end of the fiscal quarter ending [_____].
3. There have been no changes in IFRS or in the application thereof since the date of the most recently delivered financial statements referred to in Section 8.01(a) and (b) [other than as described below:].

EXECUTED AND DELIVERED as of the date first written above.

SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF SOLVENCY CERTIFICATE

Date: [], 20[]

To: The Administrative Agent and each of the Lenders
party to the Credit Agreement referred to below

Re: Credit Agreement, dated as of April 23, 2018 (the "Credit Agreement"), by and among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia (the "Parent"), Sundance Energy, Inc., a Colorado corporation (the "Borrower"), each of the lenders from time to time party thereto (the "Lenders"), and Natixis, New York Branch, as Administrative Agent.

Ladies and Gentlemen:

[We][I], the undersigned, the *[insert title of Responsible Officers]* of the Parent and the Borrower [respectively], in that capacity only and not in [my] [our] individual capacit[y][ies], pursuant to Section 6.01(g) of the Credit Agreement do hereby certify as of the date hereof, and based upon facts and circumstances as they exist as of the date hereof, as follows:

1. Unless otherwise defined herein, capitalized terms used in this certificate shall have the meanings set forth in the Credit Agreement.
2. After giving effect to the Borrowings and the other Transactions contemplated by the Credit Agreement,
 - a. the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Loan Parties, taken as a whole, will exceed the aggregate Debt of the Loan Parties on a consolidated basis, as the Debt becomes absolute and matures;
 - b. each Loan Party has not incurred or does not intend to incur, and does not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures in the ordinary course of business; and
 - c. each Loan Party does not have (and has no reason to believe that it will have hereafter) unreasonably small capital for the conduct of its business.

Remainder of page intentionally left blank; signature page follows

IN WITNESS WHEREOF, the Parent and the Borrower have caused this certificate to be executed on their behalf by the undersigned [*insert title of Responsible Officers*] as of the date first written above.

SUNDANCE ENERGY AUSTRALIA LIMITED

By:

Name:

Title:

SUNDANCE ENERGY, INC.

By:

Name:

Title:

Signature Page to
Solvency Certificate

EXHIBIT F-1

SECURITY INSTRUMENTS

1. Guarantee and Collateral Agreement, dated as of April 23, 2018, made by each of the Grantors (as defined therein) in favor of Natixis, New York Branch, as Administrative Agent.
2. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from SEA Eagle Ford, LLC to Tim Polvado, as Trustee for the benefit of Natixis, New York Branch, as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in Atascosa County, Texas, Dimmit County, Texas, McMullen County, Texas, Colorado County, Texas and Live Oak County, Texas.
3. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Armadillo E&P, Inc. to Tim Polvado, as Trustee for the benefit of Natixis, New York Branch, as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in McMullen County, Texas.
4. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Sundance Energy, Inc. to Tim Polvado, as Trustee for the benefit of Natixis, New York Branch, as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in Atascosa County, Texas, LaSalle County, Texas, Live Oak County, Texas and McMullen County, Texas.
5. Filing of a financing statement on the PPSR in respect of Sundance Energy Australia Limited ACN 112 202 883 in the collateral class 'All present and after acquired property – with exceptions' and with collateral description 'Except any PPSA Personal Property of the Grantor which the Secured Party agrees from time to time in writing is not subject to a security agreement in favor of the Secured Party'.
6. Filing of UCC-1 Financing Statement for Sundance Energy, Inc. with respect to the Collateral with the Secretary of State of the State of Colorado or such other filing office as appropriate.
7. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Office of the Recorder of Deeds in the District of Columbia or such other filing office as appropriate.
8. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Secretary of State of the State of Colorado or such other filing office as appropriate.
9. Filing of UCC-1 Financing Statement for SEA Eagle Ford, LLC with respect to the Collateral with the Secretary of State of Texas or such other filing office as appropriate.
10. Filing of UCC-1 Financing Statement for Armadillo E&P, Inc. with respect to the Collateral with the Secretary of State of Delaware or such other filing office as appropriate.
11. Receipt by Administrative Agent of Certificate No. 01 for 1,000 shares of the Equity Interests of Sundance Energy, Inc.

12. Receipt by Administrative Agent of Certificate No. 01 for 1,000 shares of the Equity Interests of Sundance Royalties, Inc.
13. Receipt by Administrative Agent of Certificate No. 02 for 10,000 shares of the Equity Interests of Armadillo E&P, Inc.
14. Receipt by Administrative Agent of stock powers with respect to items 11, 12 and 13.

EXHIBIT F-1

EXHIBIT F-2

FORM OF GUARANTEE AND COLLATERAL AGREEMENT

[Attached]

EXHIBIT F-2

EXHIBIT G

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the “Assignment and Assumption”) is dated as of the Effective Date set forth below and is entered into by and between [the][each]⁴ Assignor identified in item 1 below ([the][each, an] “Assignor”) and [the][each]⁵ Assignee identified in item 2 below ([the][each, an] “Assignee”). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]⁶ hereunder are several and not joint.]⁷ Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the “Credit Agreement”), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor’s][the respective Assignors’] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] “Assigned Interest”). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

1 Assignor: _____

2 Assignee: _____

[and is an [Affiliate][Approved Fund] of [identify Lender]⁸

⁴ For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

⁵ For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

⁶ Select as appropriate.

⁷ Include bracketed language if there are either multiple Assignors or multiple Assignees.

⁸ Select as applicable.

- 3 Borrower: Sundance Energy, Inc.
- 4 Administrative Agent: Natixis, New York Branch, as the administrative agent under the Credit Agreement
- 5 Credit Agreement: The Credit Agreement dated as of April 23, 2018 among Sundance Energy Australia Limited, Sundance Energy, Inc., the Lenders parties thereto, Natixis, New York Branch, as Administrative Agent
- 6 Assigned Interest:

Assignor[s] ⁹	Assignee[s] ¹⁰	Aggregate Amount of Commitment/Loans for all Lenders ¹¹	Amount of Commitment/Loans Assigned ⁸	Percentage Assigned of Commitment/Loans ¹²	CUSIP Number
		\$	\$	%	
		\$	\$	%	
		\$	\$	%	

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

⁹ List each Assignor, as appropriate.

¹⁰ List each Assignee, as appropriate.

¹¹ Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

¹² Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Name:
Title:

Signature Page to
Assignment and Assumption

[Consented to and]¹³ Accepted:

Natixis, New York Branch,
as Administrative Agent

By _____
Name:
Title:

[Consented to:]¹⁴

Sundance Energy, Inc.

By _____
Name:
Title:

¹³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

¹⁴ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 12.04 of the Credit Agreement (subject to such consents, if any, as may be required thereunder), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the][any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts that have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts that have accrued from and after the Effective Date. Notwithstanding the foregoing, the Administrative Agent shall make all payments of interest, fees or other amounts paid or payable in kind from and after the Effective Date to [the][the relevant] Assignee.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption

may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

Annex 1 to
Assignment and Assumption

EXHIBIT H-1

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among the Parent, Sundance Energy, Inc., as Borrower, Natixis, New York Branch, as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.03 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its Foreign Person status on IRS Form W-8BEN or W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

EXHIBIT H-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Natixis, New York Branch, as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.03 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its Foreign Person status on IRS Form W-8BEN or W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____
Name:
Title:

Date: _____, 20[]

EXHIBIT H-3

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Natixis, New York Branch, as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.03 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____
Name:
Title:

Date: _____, 20[]

EXHIBIT H-4

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Natixis, New York Branch, as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.03 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

GUARANTEE AND COLLATERAL AGREEMENT

made by
each of the Grantors (as defined herein)
in favor of

NATIXIS, NEW YORK BRANCH,
as Administrative Agent

Dated as of April 23, 2018

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ANNEX:

1. Form of Assumption Agreement

This **GUARANTEE AND COLLATERAL AGREEMENT**, dated as of April 23, 2018, is made by **SUNDANCE ENERGY AUSTRALIA LIMITED**, a limited company organized and existing under the laws of South Australia (“Parent”), **SUNDANCE ENERGY, INC.**, a Colorado corporation (the “Borrower”), and each of the other signatories hereto other than the Administrative Agent (the Borrower and each of the other signatories hereto other than the Administrative Agent, together with any other Subsidiary of the Parent that becomes a party hereto from time to time after the date hereof, the “Grantors”), in favor of **NATIXIS, NEW YORK BRANCH**, as administrative agent (in such capacity, together with its successors in such capacity, the “Administrative Agent”), for the banks and other financial institutions (the “Lenders”) from time to time parties to the Credit Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among the Parent, the Borrower, the Lenders, the Administrative Agent, and any other Agents party thereto.

In consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective loans to and extensions of credit on behalf of the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

(a) As used in this Agreement, each term defined above shall have the meaning indicated above. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, and the following terms as well as all uncapitalized terms which are defined in the New York UCC on the date hereof are used herein as so defined: Accounts, Chattel Paper, Commercial Tort Claims, Commodity Accounts, Deposit Accounts, Documents, Electronic Chattel Paper, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Rights, Payment Intangibles, Proceeds, Securities Accounts, Supporting Obligations, and Tangible Chattel Paper.

(b) The following terms shall have the following meanings:

“Account Debtor” shall mean a Person (other than any Grantor) obligated on an Account, Chattel Paper, or General Intangible.

“Agreement” shall mean this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

“Collateral” shall have the meaning assigned such term in Section 3.01.

“Excluded Equity” shall mean any voting stock of any Foreign Subsidiary in excess of 66-2/3% of the total combined voting power of all classes of stock of such Foreign Subsidiary that are entitled to vote.

“Excluded Property” shall have the meaning assigned such term in Section 3.01.

“Guarantors” shall mean, collectively, each Grantor other than the Borrower.

“Issuers” shall mean, collectively, each issuer of a Pledged Security.

“New York UCC” shall mean the Uniform Commercial Code, as it may be amended, from time to time in effect in the State of New York.

“Pledged Securities” shall mean: (i) the equity interests described or referred to in Schedule 2; and (ii) (a) the certificates or instruments, if any, representing such equity interests, (b) subject to Section 7.01, all dividends (cash, stock or otherwise), cash, instruments, rights to subscribe, purchase or sell and all other rights and property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such equity interests, (c) all replacements, additions to and substitutions for any of the property referred to in this definition, including, without limitation, claims against third parties, (d) the Proceeds on any of the property referred to in this definition and (e) all books and records relating to any of the property referred to in this definition. Notwithstanding the foregoing, “Pledged Securities” shall not include any Excluded Equity.

“Post-Default Rate” shall mean the per annum rate of interest provided for in Section 3.02(d) of the Credit Agreement, but in no event to exceed the Highest Lawful Rate.

“Qualified Keepwell Provider” shall mean, in respect of any Swap Obligation, each Grantor that, at the time the relevant guarantee (or grant of the relevant security interest, as applicable) becomes effective with respect to such Swap Obligation, has total assets exceeding \$10,000,000 or otherwise constitutes an “eligible contract participant” under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an “eligible contract participant” with respect to such Swap Obligation at such time by entering into a keepwell pursuant to Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

“Secured Agreement” shall mean any agreement giving rise to a Secured Obligation.

Section 1.02 Other Definitional Provisions; References. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The gender of all words shall include the masculine, feminine, and neuter, as appropriate. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit, schedule or annex shall be deemed to refer to the applicable exhibit, schedule or annex attached hereto unless otherwise stated herein. Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

ARTICLE II GUARANTEE

Section 2.01 Guarantee.

(a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Secured Parties and each of their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower and the Guarantors when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations. This is a guarantee of payment and not collection and the liability of each Guarantor is primary and not secondary.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event

exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors.

(c) Each Guarantor agrees that the Secured Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Article II or affecting the rights and remedies of the Administrative Agent or any Secured Party hereunder.

(d) Each Guarantor agrees that if the maturity of any of the Secured Obligations is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this guarantee without demand or notice to such Guarantor. The guarantee contained in this Article II shall remain in full force and effect until the Payment in Full.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any other Secured Party from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Secured Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Secured Obligations or any payment received or collected from such Guarantor in respect of the Secured Obligations), remain liable for the Secured Obligations up to the maximum liability of such Guarantor hereunder until the Payment in Full.

Section 2.02 Payments. Each Guarantor hereby agrees and guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars that constitute immediately available funds at the principal office of the Administrative Agent specified pursuant to the Credit Agreement.

ARTICLE III GRANT OF SECURITY INTEREST

Section 3.01 Grant of Security Interest. Each Grantor hereby pledges, assigns and transfers to the Administrative Agent, and grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest and whether now existing or hereafter coming into existence (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

- (1) all Accounts;
- (2) cash
- (3) all Chattel Paper (whether Tangible Chattel Paper or Electronic Chattel Paper);
- (4) all Commercial Tort Claims;
- (5) all Deposit Accounts, all Commodity Accounts and all Securities Accounts (other than Excluded Accounts and Section 1031 tax-deferred exchange accounts (or other similar restricted accounts));

- (6) all Documents;
- (7) all Fixtures;
- (8) all General Intangibles (including, without limitation, rights in and under any Swap Agreements);
- (9) all Goods (including, without limitation, all Inventory and all Equipment, but excluding all Fixtures);
- (10) all Instruments;
- (11) all Intellectual Property;
- (12) all Inventory;
- (13) all Investment Property;
- (14) all Letter-of-Credit Rights (whether or not the letter of credit is evidenced by a writing);
- (15) all Money;
- (16) all Pledged Securities;
- (17) all Supporting Obligations;
- (18) all books and records pertaining to the Collateral;
- (19) to the extent not otherwise included, any other property insofar as it consists of personal property of any kind or character defined in and subject to the New York UCC; and
- (20) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, income, royalties and other payments now or hereafter due and payable with respect to, and guarantees and supporting obligations relating to, any and all of the Collateral and, to the extent not otherwise included, all payments of insurance (whether or not the Administrative Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, all other claims, including all cash, guarantees and other Supporting Obligations given with respect to any of the foregoing;

Notwithstanding the foregoing, in no event shall the Collateral include, and no Grantor shall be deemed to have granted a security interest in, any of such Grantor's rights or interests in or under (collectively, the "Excluded Property") (a) any property to the extent that the grant of a security interest thereon shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Grantor under, any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person other than Grantor or any of its Affiliates, provided, however, that the Collateral shall include (and such security interest shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable, (b) any Excluded Equity or (c) any motor vehicles, aircraft, rolling stock or other assets subject to certificate-of-title statutes; provided further that the exclusions referred to in clause (a) above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC or the Uniform

Commercial Code of any relevant jurisdiction or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the New York UCC or the Uniform Commercial Code of any relevant jurisdiction) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

Section 3.02 Transfer of Pledged Securities. As of the Effective Date, all certificates and instruments representing or evidencing the Pledged Securities shall be delivered to and held pursuant hereto by the Administrative Agent or a Person designated by the Administrative Agent and, in the case of an instrument or certificate in registered form, shall be duly indorsed to the Administrative Agent or in blank by an effective indorsement (whether on the certificate or instrument or on a separate writing), and accompanied by any required transfer tax stamps to effect the pledge of the Pledged Securities to the Administrative Agent. Notwithstanding the preceding sentence, all Pledged Securities evidenced by a certificate or instrument must be delivered or transferred in such manner, and each Grantor shall take all such further action as may be reasonably requested by the Administrative Agent, as to permit the Administrative Agent to maintain a first priority perfected security interest in the Pledged Securities.

Section 3.03 Grantors Remain Liable under Accounts, Chattel Paper and Payment Intangibles. Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Accounts, Chattel Paper and Payment Intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account, Chattel Paper or Payment Intangible. Neither the Administrative Agent nor any other Secured Party shall have any obligation or liability under any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any such other Secured Party of any payment relating to such Account, Chattel Paper or Payment Intangible, pursuant hereto, nor shall the Administrative Agent or any other Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 3.04 Pledged Securities. The granting of the foregoing security interest does not make the Administrative Agent or any Secured Party a successor to Grantor as a partner or member in any Issuer that is a partnership, limited partnership or limited liability company, as applicable, and neither the Administrative Agent, any Secured Party, nor any of their respective successors or assigns hereunder shall be deemed to have become a partner or member in any Issuer, as applicable, by accepting this Agreement or exercising any right granted herein unless and until such time, if any, when any such Person expressly becomes a partner or member in any Issuer, as applicable, and complies with any applicable transfer provisions set forth in the charter or organizational documents relating to an applicable Pledged Security after a foreclosure thereon.

ARTICLE IV ACKNOWLEDGMENTS, WAIVERS AND CONSENTS

Section 4.01 Acknowledgments, Waivers and Consents.

(a) Each Grantor acknowledges and agrees that the obligations undertaken by it under this Agreement involve the guarantee of, and the provision of collateral security for, the Secured

Obligations, which obligations consist, in part, of the obligations of Persons other than such Grantor and that such Grantor's guarantee and provision of collateral security for the Secured Obligations are absolute, irrevocable and unconditional under any and all circumstances, except as expressly provided herein or in any other Loan Document. In full recognition and furtherance of the foregoing, each Grantor understands and agrees, to the fullest extent permitted under applicable law and except as may otherwise be expressly provided in the Loan Documents, that each Grantor shall remain obligated hereunder (including, without limitation, with respect to the guarantee made by such Grantor hereby and the collateral security provided by such Grantor herein) and the enforceability and effectiveness of this Agreement and the liability of such Grantor, and the rights, remedies, powers and privileges of the Administrative Agent and the other Secured Parties under this Agreement and the other Loan Documents shall not be affected, limited, reduced, discharged or terminated in any way:

(i) notwithstanding that, without any reservation of rights against any Grantor and without notice to or further assent by any Grantor, (A) any demand for payment of any of the Secured Obligations made by the Administrative Agent or any other Secured Party may be rescinded by the Administrative Agent or such other Secured Party and any of the Secured Obligations continued; (B) the Secured Obligations, the liability of any other Person upon or for any part thereof or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by, or any indulgence or forbearance in respect thereof granted by, the Administrative Agent or any other Secured Party; (C) the Secured Agreements and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders, the Majority Lenders or all Lenders, as the case may be) may deem advisable from time to time; (D) any Grantor or any other Person may from time to time accept or enter into new or additional agreements, security documents, guarantees or other instruments in addition to, in exchange for or relative to, any Secured Agreement, all or any part of the Secured Obligations or any Collateral now or in the future serving as security for the Secured Obligations; (E) any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any other Secured Party for the payment of the Secured Obligations may be sold, exchanged, waived, surrendered or released; and (F) any other event shall occur which constitutes a defense or release of sureties generally; and

(i i) without regard to, and each Grantor hereby expressly waives to the fullest extent permitted by law any defense now or in the future arising by reason of, (A) the illegality, invalidity or unenforceability of the Credit Agreement, any other Secured Agreement, any of the Secured Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any other Secured Party, (B) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Grantor or any other Person against the Administrative Agent or any other Secured Party, (C) the insolvency, bankruptcy arrangement, reorganization, adjustment, composition, liquidation, disability, dissolution or lack of power of any Grantor or any other Person at any time liable for the payment of all or part of the Secured Obligations or the failure of the Administrative Agent or any other Secured Party to file or enforce a claim in bankruptcy or other proceeding with respect to any Person; or any sale, lease or transfer of any or all of the assets of the any Grantor, or any changes in the shareholders of any Grantor; (D) the fact that any Collateral or Lien contemplated or intended to be given, created or granted as security for the repayment of the Secured Obligations shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other Lien, it being recognized and agreed by each of the Grantors that it is not entering into this Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the Collateral for the Secured Obligations; (E) any failure of the Administrative Agent or any other Secured Party to marshal assets in favor of any Grantor or any other Person, to exhaust any collateral for all or any part of the Secured Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any Grantor or any other Person or to

take any action whatsoever to mitigate or reduce any Grantor's liability under this Agreement or any other Secured Agreement; (F) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation; (G) the possibility that the Secured Obligations may at any time and from time to time exceed the aggregate liability of such Grantor under this Agreement; or (H) any other circumstance or act whatsoever, including any act or omission of the type described in Section 4.01(a)(i) (with or without notice to or knowledge of any Grantor), which constitutes, or might be construed to constitute, an equitable or legal discharge or defense of the Borrower for the Secured Obligations, or of such Grantor under the guarantee contained in Article II or with respect to the collateral security provided by such Grantor herein, or which might be available to a surety or guarantor, in bankruptcy or in any other instance.

(b) Each Grantor hereby waives to the extent permitted by law: (i) except as expressly provided otherwise in any Loan Document, all notices to such Grantor, or to any other Person, including but not limited to, notices of the acceptance of this Agreement, the guarantee contained in Article II or the provision of collateral security provided herein, or the creation, renewal, extension, modification, accrual of any Secured Obligations, or notice of or proof of reliance by the Administrative Agent or any other Secured Party upon the guarantee contained in Article II or upon the collateral security provided herein, or of default in the payment or performance of any of the Secured Obligations owed to the Administrative Agent or any other Secured Party and enforcement of any right or remedy with respect thereto; or notice of any other matters relating thereto; the Secured Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in Article II and the collateral security provided herein and no notice of creation of the Secured Obligations or any extension of credit already or hereafter contracted by or extended to the Borrower need be given to any Grantor; and all dealings between the Borrower and any of the Grantors, on the one hand, and the Administrative Agent and the other Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in Article II and on the collateral security provided in this Agreement; (ii) diligence and demand of payment, presentment, protest, dishonor and notice of dishonor; (iii) any statute of limitations affecting any Grantor's liability hereunder or the enforcement thereof; (iv) all rights of revocation with respect to the Secured Obligations, the guarantee contained in Article II and the provision of collateral security herein; and (v) all principles or provisions of law which conflict with the terms of this Agreement and which can, as a matter of law, be waived.

(c) When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Grantor, the Administrative Agent or any other Secured Party may, but shall be under no obligation to, join or make a similar demand on or otherwise pursue or exhaust such rights and remedies as it may have against the Borrower, any other Grantor or any other Person or against any collateral security or guarantee for the Secured Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any other Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Grantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any Grantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Grantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any other Secured Party against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings. Other than as set forth herein or in any applicable Secured Agreement, neither the Administrative Agent nor any other Secured Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Secured Obligations or for the guarantee contained in Article II or any property subject thereto.

Section 4.02 No Subrogation, Contribution or Reimbursement. Notwithstanding any payment made by any Grantor hereunder or any set-off or application of funds of any Grantor by the Administrative Agent or any other Secured Party, no Grantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any other Secured Party against the Borrower or any other Grantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any other Secured Party for the payment of the Secured Obligations, nor shall any Grantor seek or be entitled to seek any indemnity, exoneration, participation, contribution or reimbursement from the Borrower or any other Grantor in respect of payments made by such Grantor hereunder, and each Grantor hereby expressly waives, releases, and agrees not to exercise any all such rights of subrogation, reimbursement, indemnity and contribution. Each Grantor further agrees that to the extent that such waiver and release set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement, indemnity and contribution such Grantor may have against the Borrower, any other Grantor or against any collateral or security or guarantee or right of offset held by the Administrative Agent or any other Secured Party shall be junior and subordinate to any rights the Administrative Agent and the other Secured Parties may have against the Borrower and such Grantor and to all right, title and interest the Administrative Agent and the other Secured Parties may have in any collateral or security or guarantee or right of offset. The Administrative Agent, for the benefit of the Secured Parties, may use, sell or dispose of any item of Collateral or security as it sees fit without regard to any subrogation rights any Grantor may have, and upon any disposition or sale, any rights of subrogation any Grantor may have shall terminate.

ARTICLE V REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the other Secured Parties to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder and to induce the Lenders and Affiliates of the Lenders to enter into other Secured Agreements, each Grantor hereby represents and warrants to the Administrative Agent and each other Secured Party that:

Section 5.01 Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Article VII of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party are true and correct in all material respects, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 5.01, be deemed to be a reference to such Guarantor's knowledge.

Section 5.02 Benefit to the Guarantor. The Borrower is a member of an affiliated group of companies that includes each Guarantor, and the Borrower and the Guarantors are engaged in related businesses. Each Guarantor is a Subsidiary of Parent and, after taking into account all rights of contribution of each Grantor against other Grantors, if any, under this Agreement, at law, in equity or otherwise, its guaranty and surety obligations pursuant to this Agreement reasonably may be expected to benefit, directly or indirectly, it; and it has determined that this Agreement is necessary and convenient to the conduct, promotion and attainment of the business of such Guarantor and the Borrower.

Section 5.03 [Reserved].

Section 5.04 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and Liens permitted by Section 9.03 of the Credit Agreement, such Grantor is the legal and beneficial owner of its respective items of the Collateral free and clear of any and all Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Secured Parties,

pursuant to this Agreement, the Security Instruments or as are filed to secure Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.05 Perfected First Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent in completed and, if required, duly executed form) will constitute valid perfected security interests in all of the Collateral in which a security interest may be perfected by the actions specified on Schedule 3, in favor of the Administrative Agent for the ratable benefit of the Secured Parties, as collateral security for such Grantor's obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.06 Legal Name, Organizational Status, Chief Executive Office. On the date hereof, the correct legal name of such Grantor, such Grantor's jurisdiction of organization, organizational number, taxpayer identification number and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

Section 5.07 Prior Names and Addresses. Schedule 5 correctly sets forth (a) all names and trade names that such Grantor has used in the last five years and (b) the chief executive office of such Grantor over the last five years (if different from that which is set forth in Section 5.06 above).

Section 5.08 Pledged Securities. The shares (or such other interests) of Pledged Securities pledged by such Grantor hereunder constitute all the issued and outstanding shares (or such other interests) of all classes of the capital stock or other equity interests of each Issuer owned by such Grantor (other than any Excluded Equity). All the shares (or such other interests) of the Pledged Securities have been duly and validly issued and (other than Pledged Securities consisting of limited liability company interests or partnership interest, which cannot be fully paid and are nonassessable) are fully paid and nonassessable; and such Grantor is the record and beneficial owner of, and has good title to, the Pledged Securities pledged by it hereunder, free of any and all Liens except Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.09 Goods. No portion of the Collateral constituting Goods with a value in excess of \$100,000 in the aggregate is in the possession of a bailee that has issued a negotiable or non-negotiable document covering such Collateral, except for Collateral being transported in the ordinary course of business and Collateral subject to a joint operating agreement that is in the possession of the operator under the agreement.

Section 5.10 Instruments and Chattel Paper. Such Grantor has delivered to the Administrative Agent all Collateral constituting Instruments and Chattel Paper in excess of \$100,000 existing on such date. No Collateral constituting Chattel Paper or Instruments contains any statement therein to the effect that such Collateral has been assigned to an identified party other than the Administrative Agent, and the grant of a security interest in such Collateral in favor of the Administrative Agent hereunder does not violate the rights of any other Person as a secured party.

Section 5.11 Truth of Information; Accounts. All information with respect to the Collateral set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by such Grantor to the Administrative Agent or any other Secured Party, and all other written information heretofore or hereafter furnished by such Grantor to the Administrative Agent or any other Secured Party is and will be true and correct in all material respects as of the date furnished. The place where each Grantor keeps its

records concerning the Accounts, Chattel Paper and Payment Intangibles is at its location of chief executive office listed on Schedule 4.

Section 5.12 Governmental Obligors. Except as may be otherwise disclosed to Administrative Agent from time to time, none of the Account Debtors on such Grantor's Accounts, Chattel Paper or Payment Intangibles is a Governmental Authority.

ARTICLE VI COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the other Secured Parties that, from and after the date of this Agreement until the Payment in Full:

Section 6.01 Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

Section 6.02 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 5.05 (to the extent such perfection is required by this Agreement) and shall take commercially reasonable actions to defend such security interest against the claims and demands of all Persons whomsoever except for Liens permitted by Section 9.03 of the Credit Agreement.

(b) Subject to the limitations set forth herein and in the other Loan Documents, at any time and from time to time, upon the reasonable request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly give, execute, deliver, indorse, file or record any and all financing statements, continuation statements, amendments, notices (including, without limitation, notifications to financial institutions and any other Person), contracts, agreements, assignments, certificates, stock powers or other instruments, obtain any and all governmental approvals and consents and take or cause to be taken any and all steps or acts that may be necessary or advisable or as the Administrative Agent may reasonably request to create, perfect, establish the priority of, or to preserve the validity, perfection or priority of, the Liens granted by this Agreement or to enable the Administrative Agent or any other Secured Party to enforce its rights, remedies, powers and privileges under this Agreement with respect to such Liens or to otherwise obtain or preserve the full benefits of this Agreement and the rights, powers and privileges herein granted.

(c) Without limiting the obligations of the Grantors under Section 6.02(b) and Section 6.02(d): (i) upon the request of the Administrative Agent such Grantor shall take or cause to be taken all actions (other than any actions required to be taken by the Administrative Agent or any Lender) reasonably requested by the Administrative Agent to cause the Administrative Agent to (A) have "control" (within the meaning of Sections 9-104, 9-105, 9-106, and 9-107 of the New York UCC) over any Collateral constituting Electronic Chattel Paper, Investment Property (including the Pledged Securities), or Letter-of-Credit Rights, including, without limitation, executing and delivering any agreements, in form and substance reasonably satisfactory to the Administrative Agent, with securities intermediaries, issuers or other Persons in order to establish "control", and each Grantor shall promptly notify the Administrative Agent and the other Secured Parties of such Grantor's acquisition of any such Collateral; provided that, so long as no Event of Default has occurred that is continuing, Administrative Agent will not exercise its rights and remedies under any such agreement, and (B) be a "protected purchaser" (as defined in Section 8-303 of the

New York UCC); (ii) with respect to Collateral other than certificated securities and goods covered by a document in the possession of a Person other than such Grantor or the Administrative Agent, such Grantor shall use commercially reasonable efforts to obtain written acknowledgment that such Person holds possession for the Administrative Agent's benefit; and (iii) with respect to any Collateral constituting Goods that are in the possession of a bailee, such Grantor shall provide prompt notice to the Administrative Agent and the other Secured Parties of any such Collateral then in the possession of such bailee, and such Grantor shall take or use commercially reasonable efforts to cause to be taken all actions (other than any actions required to be taken by the Administrative Agent or any other Secured Party) necessary or requested by the Administrative Agent to cause the Administrative Agent to have a perfected security interest in such Collateral under applicable law.

(d) Without limiting the obligations of the Grantors under Sections 6.02(a), (b) and (c), each Grantor will cause any of its Deposit Accounts, Commodities Accounts and Securities Accounts (excluding Excluded Accounts) to be subject to a deposit account control agreement or securities account control agreement, as applicable, to the extent and in the manner required under Section 8.19 of the Credit Agreement.

(e) This Section 6.02 and the obligations imposed on each Grantor by this Section 6.02 shall be interpreted as broadly as possible in favor of the Administrative Agent and the other Secured Parties in order to effectuate the purpose and intent of this Agreement.

Section 6.03 [Reserved].

Section 6.04 [Reserved].

Section 6.05 Further Identification of Collateral. Such Grantor will furnish to the Administrative Agent from time to time, at such Grantor's sole cost and expense, to the extent such information is reasonably available, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

Section 6.06 Changes in Locations, Name, etc. Such Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed where such Grantor maintains any Collateral or is organized. Without limitation of any other covenant herein, such Grantor will not cause or permit any change to be made (a) in its company name or in any trade name used to identify such Grantor in the conduct of its business or in the ownership of its Properties, (b) in the location of its chief executive office or principal place of business, (c) in its identity or corporate structure or in the jurisdiction in which such Grantor is incorporated, formed or otherwise organized, or (d) in its organizational identification number in such jurisdiction of organization, unless such Grantor shall have first (i) notified the Administrative Agent of such change at least thirty (30) days prior to the effective date of such change (or such lesser time period as the Administrative Agent may agree), and (ii) taken all action reasonably requested by the Administrative Agent for the purpose of maintaining the perfection and priority of the Administrative Agent's security interests under this Agreement.

Section 6.07 Compliance with Contractual Obligations. Such Grantor will perform and comply in all material respects with all its contractual obligations (other than obligations to pay which are not yet delinquent or in default) relating to the Collateral (including, without limitation, with respect to the goods or services, the sale or lease or rendition of which gave rise or will give rise to each Account), except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings and the Grantor has set aside on its books adequate reserves with respect thereto in accordance with GAAP, or (b)

the failure to comply could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

Section 6.08 Limitations on Dispositions of Collateral. The Administrative Agent and the other Secured Parties do not authorize, and such Grantor agrees not to sell, transfer, lease or otherwise dispose of any of the Collateral except to the extent permitted by the Credit Agreement.

Section 6.09 Pledged Securities.

(a) If such Grantor shall become entitled to receive or shall receive any stock certificate or other instrument constituting Pledged Securities, such Grantor shall accept the same as the agent of the Administrative Agent and the other Secured Parties, hold the same in trust for the Administrative Agent and the other Secured Parties and promptly deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power or other equivalent instrument of transfer reasonably acceptable to the Administrative Agent covering such certificate or instrument duly executed in blank by such Grantor, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Secured Obligations.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) unless otherwise permitted hereby or the Credit Agreement, vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity interests of any nature or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any stock or other equity interests of any nature of any Issuer, (ii) sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Securities or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien except for Liens permitted by Section 9.03 of the Credit Agreement or option in favor of, or any claim of any Person with respect to, any of the Pledged Securities or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 6.09(a) with respect to the Pledged Securities issued by it and (iii) the terms of Section 7.01(c) and Section 7.05 shall apply to it, *mutatis mutandis*, with respect to all actions that may be required of it pursuant to Section 7.01(c) or Section 7.05 with respect to the Pledged Securities issued by it.

(d) Such Grantor shall furnish to the Administrative Agent such stock powers and other equivalent instruments of transfer as may be required by the Administrative Agent to assure the transferability of and the perfection of the security interest in the Pledged Securities when and as often as may be reasonably requested by the Administrative Agent.

(e) The Pledged Securities will at all times constitute not less than 100% of the capital stock or other equity interests of the Issuer thereof owned by any Grantor or, in the case of the Pledged Securities of a Foreign Subsidiary, 66-2/3% of the capital stock or other equity interests of the Issuer thereof. Each Grantor will not permit any Issuer of any of the Pledged Securities to issue any new shares (or other interests) of any class of capital stock or other equity interests of such Issuer without the prior written consent of the Administrative Agent unless promptly upon issuance the same are pledged and, if

applicable, delivered to Administrative Agent pursuant to the terms hereof to the extent necessary to give Administrative Agent a first priority security interest after such issue in at least the same percentage of such Issuer's outstanding shares or other interests as Grantor had before such issue.

Section 6.10 Limitations on Modifications, Waivers, Extensions of Agreements Giving Rise to Accounts. Such Grantor will not (a) amend, modify, terminate or waive any provision of any Chattel Paper, Instrument or any agreement giving rise to an Account or Payment Intangible with a value in excess of \$100,000 in any manner which could reasonably be expected to materially adversely affect the value of such Chattel Paper, Instrument, Payment Intangible or Account as Collateral, or (b) fail to exercise promptly and diligently each and every material right which it may have under any Chattel Paper, Instrument and each agreement giving rise to an Account or Payment Intangible with a value in excess of \$100,000 (other than any right of termination); provided, that, a Grantor may make such adjustments, settlements or compromises and release wholly or partly any account debtor or obligor thereof and allow any credit or discounts thereon so long as (i) no Event of Default has occurred and is continuing, (ii) such action is taken in the ordinary course of business and consistent with past practices, and (iii) such action is, in such Grantor's good-faith business judgment, commercially reasonable.

Section 6.11 [Reserved]

Section 6.12 Instruments and Tangible Chattel Paper. If any amount payable in excess of \$100,000 under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Tangible Chattel Paper, such Instrument or Tangible Chattel Paper shall be delivered to the Administrative Agent promptly upon request, duly endorsed in a manner reasonably satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement.

Section 6.13 [Reserved].

Section 6.14 Commercial Tort Claims. If such Grantor shall at any time hold or acquire a Commercial Tort Claim that satisfies the requirements of the following sentence, such Grantor shall, within thirty (30) days after such Commercial Tort Claim satisfies such requirements, notify the Administrative Agent and the other Secured Parties in a writing signed by such Grantor containing a brief description thereof, and granting to the Administrative Agent in such writing (for the benefit of the Secured Parties) a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Administrative Agent. The provisions of the preceding sentence shall apply only to a Commercial Tort Claim that satisfies the following requirements: (a) the monetary value claimed by or payable to the relevant Grantor in connection with such Commercial Tort Claim shall exceed \$100,000, and (b) either (i) such Grantor shall have filed a law suit or counterclaim or otherwise commenced legal proceedings (including, without limitation, arbitration proceedings) against the Person against whom such Commercial Tort Claim is made, or (ii) such Grantor and the Person against whom such Commercial Tort Claim is asserted shall have entered into a settlement agreement with respect to such Commercial Tort Claim. In addition, to the extent that the existence of any Commercial Tort Claim held or acquired by any Grantor is disclosed by such Grantor in any public filing with the Securities Exchange Commission or any successor thereto or analogous Governmental Authority, or to the extent that the existence of any such Commercial Tort Claim is disclosed in any press release issued by any Grantor, then, upon the request of the Administrative Agent, the relevant Grantor shall, within thirty (30) days after such request is made, transmit to the Administrative Agent and the other Secured Parties a writing signed by such Grantor containing a brief description of such Commercial Tort Claim and granting to the Administrative Agent in such writing (for the benefit of the Secured Parties) a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Administrative Agent.

Section 6.15 Keepwell. Each Qualified Keepwell Provider hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Grantor to honor all of its obligations under this Agreement in respect of Swap Obligations (provided, however, that each Qualified Keepwell Provider shall only be liable under this Section 6.15 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 6.15, or otherwise under this Agreement, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified Keepwell Provider under this Section 6.15 shall remain in full force and effect until the Payment in Full. Each Qualified Keepwell Provider intends that this Section 6.15 constitute, and this Section 6.15 shall be deemed to constitute, a “keepwell, support, or other agreement” for the benefit of each other Grantor for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

ARTICLE VII REMEDIAL PROVISIONS

Section 7.01 Pledged Securities.

(a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent’s intent to exercise its corresponding rights pursuant to Section 7.01(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Securities paid in the normal course of business of the relevant Issuer, to the extent permitted in the Credit Agreement, and to exercise all voting, corporate and other rights with respect to the Pledged Securities.

(b) If an Event of Default shall occur and be continuing, then at any time in the Administrative Agent’s discretion following notice to the relevant Grantor, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Secured Obligations in accordance with Section 10.02 of the Credit Agreement, and (ii) any or all of the Pledged Securities shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders (or other equivalent body) of the relevant Issuer or Issuers or otherwise and (B) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the organizational structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder (and each Issuer party hereto hereby agrees) to (i) comply with any instruction received by it from the Administrative Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, at any time that an Event

of Default exists, pay any dividends or other payments with respect to the Pledged Securities directly to the Administrative Agent.

(d) After the occurrence and during the continuation of an Event of Default, if the Issuer of any Pledged Securities is the subject of bankruptcy, insolvency, receivership, custodianship or other proceedings under the supervision of any Governmental Authority, then all rights of the Grantor in respect thereof to exercise the voting and other consensual rights which such Grantor would otherwise be entitled to exercise with respect to the Pledged Securities issued by such Issuer shall cease, and all such rights shall thereupon become vested in the Administrative Agent who shall thereupon have the sole right to exercise such voting and other consensual rights, but the Administrative Agent shall have no duty to exercise any such voting or other consensual rights and shall not be responsible for any failure to do so or delay in so doing.

Section 7.02 Collections on Accounts, Etc. The Administrative Agent hereby authorizes each Grantor to collect upon the Accounts, Instruments, Chattel Paper and Payment Intangibles and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify the Account Debtors that the applicable Accounts, Chattel Paper and Payment Intangibles have been assigned to the Administrative Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Administrative Agent. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may in its own name or in the name of others communicate with the Account Debtors to verify with them to its satisfaction the existence, amount and terms of any Accounts, Chattel Paper or Payment Intangibles.

Section 7.03 Proceeds. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Accounts, Instruments, Chattel Paper and Payment Intangibles, when collected or received by each Grantor, and any other cash or non-cash Proceeds received by each Grantor upon the sale or other disposition of any Collateral, shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a special collateral account maintained by the Administrative Agent, subject to withdrawal by the Administrative Agent for the ratable benefit of the Secured Parties only, as hereinafter provided, and, until so turned over, shall be held by such Grantor in trust for the Administrative Agent for the ratable benefit of the Secured Parties, segregated from other funds of any such Grantor. All Proceeds (including, without limitation, Proceeds constituting collections of Accounts, Chattel Paper, Instruments) while held by the Administrative Agent (or by any Grantor in trust for the Administrative Agent for the ratable benefit of the Secured Parties) shall continue to be collateral security for all of the Secured Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election the Administrative Agent shall apply all or any part of the funds on deposit in said special collateral account on account of the Secured Obligations in such order as specified in Section 10.02(c) of the Credit Agreement, and any part of such funds which the Administrative Agent elects not so to apply and deems not required as collateral security for the Secured Obligations shall be paid over from time to time by the Administrative Agent to each Grantor or to whomsoever may be lawfully entitled to receive the same.

Section 7.04 New York UCC and Other Remedies.

(a) If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Secured Parties, may exercise in its discretion, in addition to all other rights, remedies, powers and privileges granted to them in this Agreement, any other Secured Agreement, all rights, remedies,

powers and privileges of a secured party under the New York UCC (whether the New York UCC is in effect in the jurisdiction where such rights, remedies, powers or privileges are asserted) or any other applicable law or otherwise available at law or equity. Without limiting the generality of the foregoing, the Administrative Agent (or its agent), without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any other Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any other Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. If an Event of Default shall occur and be continuing, each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. Any such sale or transfer by the Administrative Agent either to itself or to any other Person shall be absolutely free from any claim of right by Grantor, including any equity or right of redemption, stay or appraisal which Grantor has or may have under any rule of law, regulation or statute now existing or hereafter adopted. Upon any such sale or transfer, the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser or transferee thereof the Collateral so sold or transferred. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 7.04, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the other Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in accordance with Section 10.02 of the Credit Agreement, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615 of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any other Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

(b) In the event that the Administrative Agent elects not to sell the Collateral, the Administrative Agent retains its rights to dispose of or utilize the Collateral or any part or parts thereof in any manner authorized or permitted by law or in equity, and to apply the proceeds of the same towards payment of the Secured Obligations. Each and every method of disposition of the Collateral described in this Agreement shall constitute disposition in a commercially reasonable manner. The Administrative Agent may appoint any Person as agent to perform any act or acts necessary or incident to any sale or transfer of the Collateral.

Section 7.05 Private Sales of Pledged Securities. Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Securities, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any

such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Securities for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so. Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may reasonably be necessary to make such sale or sales of all or any portion of the Pledged Securities pursuant to this Section 7.05 valid and binding and in compliance with any and all other applicable Governmental Requirements. Each Grantor further agrees that a breach of any of the covenants contained in this Section 7.05 will cause irreparable injury to the Administrative Agent and the other Secured Parties, that the Administrative Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 7.05 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants.

Section 7.06 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and, to the extent set forth herein and in the other Loan Documents, the fees and disbursements of any attorneys employed by the Administrative Agent or any other Secured Party to collect such deficiency.

Section 7.07 Non-Judicial Enforcement. The Administrative Agent may enforce its rights hereunder without prior judicial process or judicial hearing, and to the extent permitted by law, each Grantor expressly waives any and all legal rights which might otherwise require the Administrative Agent to enforce its rights by judicial process.

ARTICLE VIII THE ADMINISTRATIVE AGENT

Section 8.01 Administrative Agent's Appointment as Attorney-in-Fact, Etc.

(a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all reasonably appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following (subject to the terms hereof):

(i) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(ii) execute, in connection with any sale provided for in Section 7.04 or Section 7.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iii) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (B) take possession of and indorse and collect any checks,

drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Instrument, General Intangible, Chattel Paper or Payment Intangible or with respect to any other Collateral, and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Account, Instrument or General Intangible or with respect to any other Collateral whenever payable; (C) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (D) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (E) receive, change the address for delivery, open and dispose of mail addressed to any Grantor, and to execute, assign and indorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, shipment or storage for any form of Collateral on behalf of and in the name of any Grantor; (F) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (G) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (H) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; and (I) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the other Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 8.01(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not, and will not permit any of its officers or agents to, exercise any rights under the power of attorney provided for in this Section 8.01(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein within the applicable grace periods, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 8.01, together with interest thereon at the Post-Default Rate from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable jointly and severally by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue and in compliance hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 8.02 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account and shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which comparable secured parties accord comparable collateral. Neither the

Administrative Agent, any other Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the other Secured Parties hereunder are solely to protect the Administrative Agent's and the other Secured Parties' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any other Secured Party to exercise any such powers. The Administrative Agent and the other Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents (collectively, the "Indemnitees") shall be responsible to any Grantor for any act or failure to act hereunder, **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 EXCULPATION SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES RESULT FROM THE GROSS NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.** To the fullest extent permitted by applicable law, the Administrative Agent shall be under no duty whatsoever to make or give any presentment, notice of dishonor, protest, demand for performance, notice of non-performance, notice of intent to accelerate, notice of acceleration, or other notice or demand in connection with any Collateral or the Secured Obligations, or to take any steps necessary to preserve any rights against any Grantor or other Person or ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not it has or is deemed to have knowledge of such matters. Each Grantor, to the extent permitted by applicable law, waives any right of marshaling in respect of any and all Collateral, and waives any right to require the Administrative Agent or any other Secured Party to proceed against any Grantor or other Person, exhaust any Collateral or enforce any other remedy which the Administrative Agent or any other Secured Party now has or may hereafter have against each Grantor, any Grantor or other Person.

Section 8.03 Filing of Financing Statements. Pursuant to the New York UCC and any other applicable law, each Grantor authorizes the Administrative Agent, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Additionally, each Grantor authorizes the Administrative Agent, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as "all assets of the Grantor", "all personal property of the Grantor" or words of similar effect. In no event shall the above authorizations be deemed to be obligations.

Section 8.04 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act

or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE IX SUBORDINATION OF INDEBTEDNESS

Section 9.01 Subordination of All Guarantor Claims. As used herein, the term “Guarantor Claims” shall mean all debts and obligations of the Borrower or any other Grantor to any Grantor, whether such debts and obligations now exist or are hereafter incurred or arise, or whether the obligation of the debtor thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or obligations be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or obligations may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by. After and during the continuation of an Event of Default, no Grantor shall receive or collect, directly or indirectly, from any obligor in respect thereof any amount upon the Guarantor Claims until Payment in Full.

Section 9.02 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor’s relief or other insolvency proceedings involving any Grantor, the Administrative Agent on behalf of the Secured Parties shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. Each Grantor hereby assigns such dividends and payments to the Administrative Agent for the benefit of the Secured Parties for application against the Secured Obligations as provided under Section 10.02 of the Credit Agreement. Should any Agent or Secured Party receive, for application upon the Secured Obligations, any such dividend or payment which is otherwise payable to any Grantor, and which, as between such Grantor, shall constitute a credit upon the Guarantor Claims, then upon Payment in Full, the intended recipient shall become subrogated to the rights of the Administrative Agent and the other Secured Parties to the extent that such payments to the Administrative Agent and the other Secured Parties on the Guarantor Claims have contributed toward the liquidation of the Secured Obligations, and such subrogation shall be with respect to that proportion of the Secured Obligations which would have been unpaid if the Administrative Agent and the other Secured Parties had not received dividends or payments upon the Guarantor Claims.

Section 9.03 Payments Held in Trust. In the event that notwithstanding Section 9.01 and Section 9.02, any Grantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, then it agrees: (a) to hold in trust for the Administrative Agent and the other Secured Parties an amount equal to the amount of all funds, payments, claims or distributions so received, and (b) that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, for the benefit of the Secured Parties; and each Grantor covenants promptly to pay the same to the Administrative Agent.

Section 9.04 Liens Subordinate. Each Grantor agrees that, until Payment in Full, any Liens securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any Liens securing payment of the Secured Obligations, regardless of whether such encumbrances in favor of such Grantor, the Administrative Agent or any other Secured Party presently exist or are hereafter created or attach. Prior to the Payment in Full, without the prior written consent of the Administrative Agent, no Grantor shall (a) exercise or enforce any creditor’s right it may have against any debtor in respect of the Guarantor Claims, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor’s relief or insolvency proceeding) to enforce any Lien held by it.

Section 9.05 Notation of Records. Upon the request of the Administrative Agent, all promissory notes and all accounts receivable ledgers or other evidence of the Guarantor Claims accepted by or held by any Grantor shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Agreement.

ARTICLE X MISCELLANEOUS

Section 10.01 Waiver. No failure on the part of the Administrative Agent or any other Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, 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, remedy, power or privilege. The rights, remedies, powers and privileges provided herein are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. The exercise by the Administrative Agent of any one or more of the rights, powers and remedies herein shall not be construed as a waiver of any other rights, powers and remedies, including, without limitation, any rights of set-off.

Section 10.02 Notices. All notices and other communications provided for herein shall be given in the manner and subject to the terms of Section 12.01 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

Section 10.03 Payment of Expenses, Indemnities, Etc.

(a) Each Grantor, jointly and severally, agrees to pay or promptly reimburse the Administrative Agent and each other Secured Party for its reasonable and documented out-of-pocket costs and expenses in accordance with Section 12.03(a) of the Credit Agreement.

(b) **EACH GRANTOR, JOINTLY AND SEVERALLY, AGREES TO INDEMNIFY AND TO HOLD THE ADMINISTRATIVE AGENT AND THE OTHER SECURED PARTIES HARMLESS FROM, ANY AND ALL ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES OF ANY KIND OR NATURE WITH RESPECT TO THE EXECUTION, DELIVERY ENFORCEMENT, PERFORMANCE AND ADMINISTRATION OF THIS AGREEMENT TO THE EXTENT THE BORROWER WOULD BE REQUIRED TO DO SO PURSUANT TO SECTION 12.03 OF THE CREDIT AGREEMENT. ALL AMOUNTS DUE UNDER THIS SECTION 10.03 SHALL BE PAYABLE NOT LATER THAN 10 DAYS AFTER WRITTEN DEMAND THEREFOR.**

Section 10.04 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 12.02 of the Credit Agreement.

Section 10.05 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the other Secured Parties and their successors and assigns; provided that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and the Lenders.

Section 10.06 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any of the Loan Documents to which a Grantor is a party shall, for any reason, be held

invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or such other Loan Document and the remaining provisions hereof shall remain in full force and effect and shall be liberally construed to carry out the provisions and intent hereof; provided, if any one or more of the provisions contained in this Agreement shall be determined or held to be invalid or unenforceable because such provision is overly broad as to duration, geographic scope, activity or subject, such provision shall be deemed amended by limiting and reducing it to the extent necessary to make such provision valid and enforceable.

Section 10.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic means (such as a PDF) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.08 Survival. The obligations of the parties under Section 10.03 shall survive notwithstanding the Secured Obligations having been paid as provided in Section 12.18(a) of the Credit Agreement. To the extent that any payments on the Secured 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 Secured 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 other Secured Parties' Liens, security interests, rights, powers and remedies under this Agreement and each Security Instrument shall continue in full force and effect. In such event, each Security Instrument shall be automatically reinstated and each Grantor shall take such action as may be reasonably requested by the Administrative Agent and the other Secured Parties to effect such reinstatement.

Section 10.09 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 10.10 No Oral Agreements. The Loan Documents (other than the Letters of Credit) embody the entire agreement and understanding between the parties and supersede all other agreements and understandings between such parties relating to the subject matter hereof and thereof. **THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.** In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control.

Section 10.11 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by, construed and interpreted in accordance with, the laws of the state of New York.

(B) **SECTION 12.09 OF THE CREDIT AGREEMENT IS HEREBY INCORPORATED HEREIN BY REFERENCE AND SHALL APPLY TO THIS AGREEMENT *MUTATIS MUTANDIS*.**

Section 10.12 Acknowledgments. Each Grantor hereby acknowledges that:

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

(b) neither the Administrative Agent nor any other Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Lenders.

(d) each of the parties hereto specifically agrees that it has a duty to read this Agreement and the Security Instruments and agrees that it is charged with notice and knowledge of the terms of this Agreement and the Security Instruments; 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 Security Instruments; and has received the advice of its attorney in entering into this Agreement and the Security Instruments; and that it recognizes that certain of the terms of this Agreement and the Security Instruments 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 Security Instruments on the basis that the party had no notice or knowledge of such provision or that the provision is not "conspicuous."

(e) each Grantor warrants and agrees that each of the waivers and consents set forth in this Agreement are made voluntarily and unconditionally after consultation with outside legal counsel and with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which such Grantor otherwise may have against the Borrower, any other Grantor, the Secured Parties or any other Person or against any collateral. If, notwithstanding the intent of the parties that the terms of this Agreement shall control in any and all circumstances, any such waivers or consents are determined to be unenforceable under applicable law, such waivers and consents shall be effective to the maximum extent permitted by law.

Section 10.13 Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 8.14 of the Credit Agreement and is not a signatory hereto shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex I hereto.

Section 10.14 Set-Off. Each Grantor agrees that, in addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim a Secured Party may otherwise have, each Secured Party shall have the right and be entitled (after consultation with the Administrative Agent), at its option, to offset (i) balances held by it or by any of its Affiliates for account of any Grantor or any Subsidiary at any of its offices, in Dollars or in any other currency, and (ii) amounts due and payable to such Lender (or any Affiliate of such Lender) under any Secured Agreement, against any principal of or interest on any of such Secured Party's Loans, or any other amount due and payable to such Secured Party hereunder, which is not paid when due (regardless of whether such balances are then due to such Person), in which case it shall promptly notify the Borrower and the Administrative Agent thereof, provided that such Secured Party's failure to give such notice shall not affect the validity thereof.

Section 10.15 Releases.

(a) Payment In Full. Upon the Payment in Full, the Administrative Agent, at the written request and expense of the Borrower, will promptly release, reassign and transfer the Collateral to the Grantors and declare this Agreement to be of no further force or effect.

(b) Further Assurances. Section 12.18(b) of the Credit Agreement is hereby incorporated herein by reference and shall apply to this Agreement *mutatis mutandis*.

(c) Retention in Satisfaction. Except as may be expressly applicable pursuant to Section 9-620 of the New York UCC, no action taken or omission to act by the Administrative Agent or the other Secured Parties hereunder, including, without limitation, any exercise of voting or consensual rights or any other action taken or inaction, shall be deemed to constitute a retention of the Collateral in satisfaction of the Secured Obligations or otherwise to be in full satisfaction of the Secured Obligations, and the Secured Obligations shall remain in full force and effect, until the Administrative Agent and the other Secured Parties shall have applied payments (including, without limitation, collections from Collateral) towards the Secured Obligations in the full amount then outstanding or until such subsequent time as is provided in Section 10.15(a).

Section 10.16 Reinstatement. The obligations of each Grantor under this Agreement (including, without limitation, with respect to the guarantee contained in Article II and the provision of collateral herein) shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any other Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Grantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Grantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

Section 10.17 Acceptance. Each Grantor hereby expressly waives notice of acceptance of this Agreement, acceptance on the part of the Administrative Agent and the other Secured Parties being conclusively presumed by their request for this Agreement and delivery of the same to the Administrative Agent.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

SUNDANCE ENERGY, INC.

By: _____
Name:
Title:

GUARANTORS:

SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

**SEA EAGLE FORD, LLC
ARMADILLO E&P, INC.**

By: _____
Name:
Title:

SIGNATURE PAGE

Acknowledged and Agreed to as
of the date hereof by:

ADMINISTRATIVE AGENT:

NATIXIS, NEW YORK BRANCH

By: _____
Name:
Title:

SIGNATURE PAGE

Schedule 1

NOTICE ADDRESSES OF GRANTORS

Grantor Name	Notice Address
Sundance Energy, Inc.	633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
Sundance Energy Australia Limited	Ground Floor 28 Greenhill Road Wayville, South Australia 5034 C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
SEA Eagle Ford, LLC	C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
Armadillo E&P, Inc.	C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady

Schedule 2

DESCRIPTION OF PLEDGED SECURITIES

Owner	Issuer	Type of Equity Interest	% of Ownership Interest	Certificated / Certificate Number or Uncertificated
Sundance Energy Australia Limited	Sundance Energy, Inc.	Common Stock	100%	Certificate No. 1 (1,000 shares)
Sundance Energy, Inc.	Sundance Energy Oklahoma LLC	LLC Interests	100%	Uncertificated
Sundance Energy, Inc.	Sundance Royalties, Inc.	Common Stock	100%	Certificate No. 1 (1,000 shares)
Sundance Energy, Inc.	SEA Eagle Ford, LLC	LLC Interests	100%	Uncertificated
Sundance Energy, Inc.	Armadillo E&P, Inc.	Common Stock	100%	Certificate No. 2 (10,000 shares)
Sundance Energy, Inc.	New Standard Energy Texas, LLC	Membership Interests	100%	Uncertificated
Sundance Energy Australia Limited	Armadillo (Eagle Ford) Pty Ltd	Shares	100%	Uncertificated
Sundance Energy Australia Limited	New Standard Energy PEL570 Pty Ltd	Shares	100%	Uncertificated

Schedule 3

FILINGS AND OTHER ACTIONS

REQUIRED TO PERFECT SECURITY INTERESTS

Uniform Commercial Code Filings

1. Filing of UCC-1 Financing Statement for the Borrower with respect to the Collateral with the Secretary of State of the State of Colorado.
2. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Office of the Recorder of Deeds in the District of Columbia.
3. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Secretary of State of the State of Colorado.
4. Filing of UCC-1 Financing Statement for SEA Eagle Ford, LLC with respect to the Collateral with the Secretary of State of Texas.
5. Filing of UCC-1 Financing Statement for Armadillo E&P, Inc. with respect to the Collateral with the Secretary of State of Delaware.
6. Filing of a financing statement on the PPSR in respect of Sundance Energy Australia Limited ACN 112 202 883 in the collateral class 'All present and after acquired property – with exceptions' and with collateral description 'Except any PPSA Personal Property of the Grantor which the Secured Party agrees from time to time in writing is not subject to a security agreement in favor of the Secured Party'

Delivery to Administrative Agent of Pledged Securities

1. Delivery to Administrative Agent of certificated pledged securities described on Schedule 2, together with corresponding stock powers endorsed in blank.

Schedule 4

CORRECT LEGAL NAME, LOCATION OF JURISDICTION OF ORGANIZATION, ORGANIZATIONAL IDENTIFICATION NUMBER, TAXPAYOR IDENTIFICATION NUMBER AND CHIEF EXECUTIVE OFFICE

Legal Name of Entity	Organization Jurisdiction	Organizational Number	FEIN	Location of Chief Executive Office
Sundance Energy Inc.	Colorado	20031394742	80-0133112	633 17 th Street Suite 1950 Denver, Colorado 80202
Sundance Energy Australia Limited	South Australia, Australia	ACN 112 202 883	98-1231237	Ground Floor 28 Greenhill Road Wayville, South Australia 5034 C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202
SEA Eagle Ford, LLC	Texas	801741859	46-2188743	C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202
Armadillo E&P, Inc.	Delaware	4261017	20-8412735	C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202

Schedule 5

PRIOR NAMES AND PRIOR CHIEF EXECUTIVE OFFICE

Entity	Previous Name / Trade Name in Past 5 Years	Previous Name / Trade Name's Chief Executive Office
Sundance Energy Inc.	N/A	N/A
Sundance Energy Australia Limited	N/A	N/A
SEA Eagle Ford, LLC	N/A	N/A
Armadillo E&P, Inc.	N/A	N/A

ACKNOWLEDGMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of April 23, 2018 (the "Agreement"), made by the Grantors parties thereto for the benefit of NATIXIS, NEW YORK BRANCH, as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The terms of Sections 7.01(c) and 7.05 of the Agreement shall apply to it, *mutatis mutandis*, with respect to all actions that may be required of it pursuant to Sections 7.01(c) or 7.05 of the Agreement.

[NAME OF ISSUER]

By: _____
Name: _____
Title: _____

Address for Notices:

Fax: _____

*This consent is necessary only with respect to any Issuer which is not also a Grantor. This consent may be modified or eliminated with respect to any Issuer that is not controlled by a Grantor.

ACKNOWLEDGEMENT AND CONSENT

Annex I

Assumption Agreement

ASSUMPTION AGREEMENT, dated as of _____, 20__, made by _____, a _____ (the "Additional Grantor"), in favor of NATIXIS, NEW YORK BRANCH, as administrative agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

WITNESSETH:

WHEREAS, Sundance Energy Australia Limited, a limited company organized and existing under the laws of South Australia ("Parent"), Sundance Energy, Inc., a Colorado corporation (the "Borrower"), the Lenders and the Administrative Agent, have entered into a Credit Agreement, dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, Parent, the Borrower and certain of its Subsidiaries have entered into the Guarantee and Collateral Agreement, dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Lenders and Affiliates of the Lenders;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1 . Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 10.13 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder and expressly grants to the Administrative Agent, for the benefit of the Secured Parties (as defined in the Guarantee and Collateral Agreement), a security interest in all Collateral owned by such Additional Grantor to secure all of such Additional Grantor's obligations and liabilities thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in Schedules 1 through 5 to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Article IV of the Guarantee and Collateral Agreement is 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 the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2 . Governing Law. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, TX 77010
Attention: Randy Browne

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

SUNDANCE ENERGY, INC.

TO

TIM POLVADO, AS TRUSTEE

FOR THE BENEFIT OF

**NATIXIS, NEW YORK BRANCH,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by SUNDANCE ENERGY, INC., a Colorado corporation (the "Mortgagor"), in favor of Tim Polvado, as Trustee for the benefit of NATIXIS, NEW YORK BRANCH, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia ("Parent"), the Mortgagor as Borrower, the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Mortgagor.

B. One or more of the Loan Parties and certain Secured Swap Providers have or may enter into certain Secured Swap Agreements.

C. One or more of the Loan Parties and certain Lenders or Affiliates of Lenders have or may enter into certain Secured Cash Management Agreements.

D. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement, the Secured Swap Agreements and the Secured Cash Management Agreements (the Credit Agreement, the Notes, the Secured Swap Agreements, the Secured Cash Management Agreements and the Guarantee collectively being the "Secured Transaction Documents").

E. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

F. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I
DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“Future Advances” means future obligations and future advances that the Mortgagee or any other Secured Party may make pursuant to any Secured Transaction Document.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital D above.

“Trustee” means Tim Polvado, whose address for notice hereunder is 333 Clay Street, Suite 3900, Houston, Texas 77002 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby: GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations:

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in

Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of Mortgagor's interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;

(b) all books and records pertaining to the Oil and Gas Properties;

(c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;

(d) all Hydrocarbons from or attributable to the Oil and Gas Properties;

(e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and

(f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Mortgagor or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before October 23, 2022, including performance of all Letter of Credit Agreements executed from time to time by the Borrower or any other Loan Party under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any Letter of Credit now outstanding or hereafter issued under or pursuant to the Credit Agreement.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) Any additional loans made by the Mortgagee or any Lender to the Parent, the Borrower or any other Guarantor under the Credit Agreement or any Secured Transaction Document. It is contemplated that the Mortgagee and the Lenders may lend additional sums to the Borrower from time to time, but shall not be obligated to do so, and the Mortgagor agrees that any such additional loans shall be secured by this Mortgage.

(d) Payment of and performance of any and all present or future obligations of any Loan Party under any Secured Swap Agreement or any document related to any

Secured Swap Agreement, including any deferred premiums in respect of puts, floors or options constituting Swap Agreements.

(e) Payment of and performance of any and all present or future obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired, of any Loan Party under any Secured Cash Management Agreements.

(f) To the extent not otherwise included in Sections 2.03(a) through (e) above, all Secured Obligations (as defined in the Credit Agreement).

(g) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III
ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as “take or pay” payments or settlements; and

all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagor as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed

of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged

Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an "Event of Default" under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court

of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document

or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such

manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair

any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force,

such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH

MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the

Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage, deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, reconveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created

hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as “all assets of the Mortgagor”, “all personal property of the Mortgagor” or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	SUNDANCE ENERGY, INC.
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Colorado
Organizational ID Number	20031394742
Facsimile:	(303) 543-5701
Telephone:	Attention: Eric P. McCrady (303) 543-5700
Business of Debtor:	Principal Place of 633 17th Street, Suite 1950 Denver, Colorado 80202

Name of Secured Party:	NATIXIS, NEW YORK BRANCH, as Administrative Agent
Address of Secured Party:	1251 Avenue of the Americas, 5 th Floor
E-mail:	Attention: Robert Amdursky robert.amdursky@natixis.com
Telephone:	(212) 891-6119

Owner of Record of Real Property:	Mortgagor
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Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT "CONSPICUOUS."

Section 7.14. References. The words "herein," "hereof," "hereunder" and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Time of Payment or Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any

action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this ____ day of April, 2018, to be effective as of the Effective Date.

SUNDANCE ENERGY, INC.

By: _____
Name: _____
Title: _____

STATE OF COLORADO §
 §
COUNTY OF DENVER §

 This instrument was acknowledged before me on April __, 2018 by _____, as
_____ of Sundance Energy, Inc., a Colorado corporation, on behalf of said corporation.

Notary Public

SEAL:

Signature Page to Mortgage

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. "Working Interest" or "Gross Working Interest" and "W.I." or "G.W.I." means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. "Net Revenue Interest" or "N.R.I." means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words "Net Revenue Interest" in the portion applicable to such Well.
3. "Well" means (i) any existing well identified in Exhibit A, including replacement well drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS "SECTION" OR "SEC," SIMPLY "S" OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, TX 77010
Attention: Randy Browne

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

SEA EAGLE FORD, LLC

TO

TIM POLVADO, AS TRUSTEE

FOR THE BENEFIT OF

**NATIXIS, NEW YORK BRANCH,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by SEA EAGLE FORD, LLC, a Texas limited liability company (the "Mortgagor"), in favor of Tim Polvado, as Trustee for the benefit of NATIXIS, NEW YORK BRANCH, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia ("Parent"), Sundance Energy, Inc., a Colorado corporation as Borrower ("Borrower"), the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Borrower.

B. One or more of the Loan Parties and certain Secured Swap Providers have or may enter into certain Secured Swap Agreements.

C. One or more of the Loan Parties and certain Lenders or Affiliates of Lenders have or may enter into certain Secured Cash Management Agreements.

D. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement, the Secured Swap Agreements and the Secured Cash Management Agreements (the Credit Agreement, the Notes, the Secured Swap Agreements, the Secured Cash Management Agreements and the Guarantee collectively being the "Secured Transaction Documents").

E. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

F. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I
DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“Future Advances” means future obligations and future advances that the Mortgagee or any other Secured Party may make pursuant to any Secured Transaction Document.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital D above.

“Trustee” means Tim Polvado, whose address for notice hereunder is 333 Clay Street, Suite 3900, Houston, Texas 77002 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby: GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations:

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in

Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of Mortgagor's interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;

(b) all books and records pertaining to the Oil and Gas Properties;

(c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;

(d) all Hydrocarbons from or attributable to the Oil and Gas Properties;

(e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and

(f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Mortgagor or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before October 23, 2022, including performance of all Letter of Credit Agreements executed from time to time by the Borrower or any other Loan Party under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any Letter of Credit now outstanding or hereafter issued under or pursuant to the Credit Agreement.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) Any additional loans made by the Mortgagee or any Lender to the Parent, the Borrower or any other Guarantor under the Credit Agreement or any Secured Transaction Document. It is contemplated that the Mortgagee and the Lenders may lend additional sums to the Borrower from time to time, but shall not be obligated to do so, and the Mortgagor agrees that any such additional loans shall be secured by this Mortgage.

(d) Payment of and performance of any and all present or future obligations of any Loan Party under any Secured Swap Agreement or any document related to any

Secured Swap Agreement, including any deferred premiums in respect of puts, floors or options constituting Swap Agreements.

(e) Payment of and performance of any and all present or future obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired, of any Loan Party under any Secured Cash Management Agreements.

(f) To the extent not otherwise included in Sections 2.03(a) through (e) above, all Secured Obligations (as defined in the Credit Agreement).

(g) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III
ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as “take or pay” payments or settlements; and

all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagor as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed

of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged

Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an "Event of Default" under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court

of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document

or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such

manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair

any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force,

such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH

MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the

Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage, deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, reconveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created

hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as “all assets of the Mortgagor”, “all personal property of the Mortgagor” or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	SEA EAGLE FORD, LLC
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Texas
Organizational ID Number	801741859
Facsimile:	(303) 543-5701 Attention: Eric P. McCrady
Telephone:	(303) 543-5700
Principal Place of Business of Debtor:	633 17th Street, Suite 1950 Denver, Colorado 80202

Name of Secured Party: NATIXIS, NEW YORK BRANCH,
as Administrative Agent
Address of Secured Party: 1251 Avenue of the Americas, 5th Floor
Attention: Robert Amdursky
E-mail: robert.amdursky@natixis.com
Telephone: (212) 891-6119

Owner of Record of Real Property: Mortgagor

Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 7.14. References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Time of Payment or Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any

action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this ___ day of April, 2018, to be effective as of the Effective Date.

SEA EAGLE FORD, LLC

By: _____
Name: _____
Title: _____

STATE OF COLORADO §
 §
COUNTY OF DENVER §

This instrument was acknowledged before me on April __, 2018 by _____, as
_____ of SEA Eagle Ford, LLC, a Texas limited liability company, on behalf of said limited liability
company.

Notary Public

SEAL:

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. “Working Interest” or “Gross Working Interest” and “W.I.” or “G.W.I.” means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. “Net Revenue Interest” or “N.R.I.” means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words “Net Revenue Interest” in the portion applicable to such Well.
3. “Well” means (i) any existing well identified in Exhibit A, including replacement well drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS “SECTION” OR “SEC,” SIMPLY “S” OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, TX 77010
Attention: Randy Browne

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

ARMADILLO E&P, INC.

TO

TIM POLVADO, AS TRUSTEE

FOR THE BENEFIT OF

**NATIXIS, NEW YORK BRANCH,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT SECURES PAYMENT OF FUTURE ADVANCES.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by ARMADILLO E&P, INC., a Delaware corporation (the "Mortgagor"), in favor of Tim Polvado, as Trustee for the benefit of NATIXIS, NEW YORK BRANCH, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia ("Parent"), the Sundance Energy, Inc., a Colorado corporation, as Borrower ("Borrower"), the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Borrower.

B. One or more of the Loan Parties and certain Secured Swap Providers have or may enter into certain Secured Swap Agreements.

C. One or more of the Loan Parties and certain Lenders or Affiliates of Lenders have or may enter into certain Secured Cash Management Agreements.

D. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement, the Secured Swap Agreements and the Secured Cash Management Agreements (the Credit Agreement, the Notes, the Secured Swap Agreements, the Secured Cash Management Agreements and the Guarantee collectively being the "Secured Transaction Documents").

E. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

F. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I
DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“Future Advances” means future obligations and future advances that the Mortgagee or any other Secured Party may make pursuant to any Secured Transaction Document.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital D above.

“Trustee” means Tim Polvado, whose address for notice hereunder is 333 Clay Street, Suite 3900, Houston, Texas 77002 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby: GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations:

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in

Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of Mortgagor's interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;

- (b) all books and records pertaining to the Oil and Gas Properties;
- (c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;
- (d) all Hydrocarbons from or attributable to the Oil and Gas Properties;
- (e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and
- (f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Mortgagor or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before October 23, 2022, including performance of all Letter of Credit Agreements executed from time to time by the Borrower or any other Loan Party under or pursuant to the Credit Agreement and all reimbursement obligations for drawn or undrawn portions under any Letter of Credit now outstanding or hereafter issued under or pursuant to the Credit Agreement.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) Any additional loans made by the Mortgagee or any Lender to the Parent, the Borrower or any other Guarantor under the Credit Agreement or any Secured Transaction Document. It is contemplated that the Mortgagee and the Lenders may lend additional sums to the Borrower from time to time, but shall not be obligated to do so, and the Mortgagor agrees that any such additional loans shall be secured by this Mortgage.

(d) Payment of and performance of any and all present or future obligations of any Loan Party under any Secured Swap Agreement or any document related to any

Secured Swap Agreement, including any deferred premiums in respect of puts, floors or options constituting Swap Agreements.

(e) Payment of and performance of any and all present or future obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired, of any Loan Party under any Secured Cash Management Agreements.

(f) To the extent not otherwise included in Sections 2.03(a) through (e) above, all Secured Obligations (as defined in the Credit Agreement).

(g) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III
ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as “take or pay” payments or settlements; and

all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagor as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed

of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged

Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an "Event of Default" under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court

of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document

or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such

manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair

any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force,

such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH

MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the

Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage, deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, reconveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created

hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as “all assets of the Mortgagor”, “all personal property of the Mortgagor” or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	ARMADILLO E&P, INC.
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Delaware
Organizational ID Number	4261017
Facsimile:	(303) 543-5701 Attention: Eric P. McCrady
Telephone:	(303) 543-5700
Principal Place of Business of Debtor:	633 17th Street, Suite 1950 Denver, Colorado 80202

Name of Secured Party: NATIXIS, NEW YORK BRANCH,
as Administrative Agent
Address of Secured Party: 1251 Avenue of the Americas, 5th Floor
Attention: Robert Amdursky
E-mail: robert.amdursky@natixis.com
Telephone: (212) 891-6119

Owner of Record of Real Property: Mortgagor

Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 7.14. References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Time of Payment or Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any

action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this ____ day of April, 2018, to be effective as of the Effective Date.

ARMADILLO E&P, INC.

By: _____
Name: _____
Title: _____

STATE OF COLORADO §
 §
COUNTY OF DENVER §

This instrument was acknowledged before me on April __, 2018 by _____, as _____ of Armadillo E&P, Inc., a Delaware corporation, on behalf of said corporation.

Notary Public

SEAL:

Signature Page to Mortgage

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. “Working Interest” or “Gross Working Interest” and “W.I.” or “G.W.I.” means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. “Net Revenue Interest” or “N.R.I.” means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words “Net Revenue Interest” in the portion applicable to such Well.
3. “Well” means (i) any existing well identified in Exhibit A, including replacement well drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS “SECTION” OR “SEC,” SIMPLY “S” OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

PURCHASE AND SALE AGREEMENT

between

**PIONEER NATURAL RESOURCES USA, INC.,
RELIANCE EAGLEFORD UPSTREAM HOLDING LP,**

and

NEWPEK, LLC

as Sellers

and

Sundance Energy, Inc.

as Buyer

dated

March 9, 2018

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PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this “**Agreement**”) is executed as of this 9th day of March, 2018 (the “**Execution Date**”), and is by and between **Pioneer Natural Resources USA, Inc.**, a Delaware corporation (“**Pioneer**”), **Reliance Eagleford Upstream Holding LP**, a Texas limited partnership (“**Reliance**”), and **Newpek, LLC**, a Delaware limited liability company (“**Newpek**” and collectively with Pioneer and Reliance, “**Sellers**” and individually a “**Seller**”), and Sundance Energy, Inc., a Colorado corporation (“**Buyer**”). Sellers and Buyer may be referred to herein each as a “**Party**” and together as the “**Parties**.”

RECITALS

WHEREAS, subject to the terms and conditions of this Agreement, Sellers desire to sell and assign, and Buyer desires to purchase and pay for, all of Sellers’ right, title and interest in and to the Assets (as defined hereinafter) effective as of the Effective Time (as defined hereinafter).

NOW, THEREFORE, for and in consideration of the mutual promises, representations, warranties, covenants and agreements contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sellers and Buyer agree as follows:

ARTICLE I DEFINITIONS AND INTERPRETATION

1.1 **Defined Terms.** Capitalized terms used herein shall have the meanings set forth in **Annex I**.

1.2 **References and Rules of Construction.** All references in this Agreement to Annexes, Exhibits, Schedules, Articles, Sections, subsections and other subdivisions refer to the corresponding Annexes, Exhibits, Schedules, Articles, Sections, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Articles, Sections, subsections and other subdivisions of this Agreement are for convenience only, do not constitute any part of this Agreement, and shall be disregarded in construing the language hereof. The words “this Agreement,” “herein,” “hereby,” “hereunder” and “hereof,” and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited. The words “this Article,” “this Section,” and “this subsection,” and words of similar import, refer only to the Article, Section or subsection hereof in which such words occur. Wherever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limiting the foregoing in any respect.” All references to “\$” or “dollars” shall be deemed references to United States Dollars. Each accounting term not defined herein will have the meaning given to it under GAAP as interpreted as of the Execution Date. Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. **Reference herein to any federal, state, local or foreign Law shall be deemed to also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise, and reference herein to any**

agreement, instrument or Law means such agreement, instrument or Law as from time to time amended, modified or supplemented, including, in the case of agreements or instruments, by waiver or consent and, in the case of Laws, by succession of comparable successor Laws. If any period of days referred to in this Agreement shall end on a day that is not a Business Day, then the expiration of such period shall be automatically extended until the end of the first succeeding Business Day. References to a Person are also to its permitted successors and permitted assigns. If one or more, but not all, Sellers have an interest in one or more Assets subject to or affected by a dispute, agreement, decision or approval that is otherwise required to be resolved, made or given by all of the Sellers under this Agreement, then notwithstanding anything in this Agreement to the contrary, only those Sellers having an interest in the affected Asset or Assets shall have a right to participate in such dispute or make such agreement or decision or give such approval. For purposes of determining the Initial Deposit Deadline, the Second Deposit Deadline and the Target Closing Date, if this Agreement is executed and delivered at a time that is not during an Australian Business Day, then the time period for such calculations shall begin on the first Australian Business Day that immediately follows the time at which this Agreement is executed and delivered by the Parties. Additionally, if the deadline for the occurrence of the Target Closing Date is at a time that is not a Business Day, then the Target Closing Date shall occur on the first Business Day that immediately follows such time.

ARTICLE II PURCHASE AND SALE

2.1 **Purchase and Sale.** Subject to the terms and conditions of this Agreement, each Seller agrees to sell, and Buyer agrees to purchase and pay for, all of such Seller's right, title and interest in and to the following assets (such assets of the Sellers, less and except the Excluded Assets, collectively, the "**Assets**");

(a) the oil and gas leases set forth on Exhibit A, and in any other oil and gas leases to the extent they cover Land within the boundaries of the Areas depicted on the plat attached hereto as Exhibit A-1 (the "**Area Plat**," and the outlines of the Areas depicted on the Area Plat, the "**Area Boundaries**"), whether or not such leases are described on Exhibit A or are described accurately or completely, together with any and all other right, title and interest of such Seller in and to the leasehold estates created thereby, including all operating interests, reversionary interests, and all other rights therein and the lands covered thereby or pooled therewith ("**Land**"), subject to the terms, conditions, covenants and obligations set forth in such leases or interests or on Exhibit A, and all other interests of such Seller of any kind or character in such leases, including any Ancillary Rights (the "**Leases**");

(b) (x) all oil and gas wells (such wells, including the oil and gas wells set forth on Exhibit B, the "**Wells**"), and all other Hydrocarbons produced from or allocated to the Wells after the Effective Time and (y) all water, injection and other wells (such wells, including the non-oil and gas wells set forth on Exhibit B, the "**Other Wells**"), in each case, located on any of the Leases or on any other lease with which any such Lease has been pooled or unitized, whether producing, operating, plugged, permanently abandoned, shut-in or temporarily abandoned, and in which such Seller owns an interest;

(c) all rights and interests in, under or derived from all unitization and pooling agreements or orders in effect with respect to any of the Leases, Wells or Other Wells and the units created thereby (the “**Units**”);

(d) CGP11;

(e) all Applicable Contracts and all rights thereunder;

(f) all servitudes, easements, surface and road use agreements, surface leases, railroad crossing authorizations, ingress and egress agreements, water rights and rights-of-way to the extent used primarily in connection with the ownership or operation of any of the Assets in each case, including those described in Exhibit C attached hereto (collectively, “**Surface Rights**”);

(g) [Reserved]

(h) all structures, equipment, machinery, fixtures, vehicles and other personal, moveable and mixed property, operational and nonoperational, known or unknown, located on or appurtenant to any of the Leases, Lands or Surface Rights or on Land pooled or unitized therewith and contained within the Areas, in each case, primarily used or obtained for use in connection therewith or in connection with the production, injection, treatment, sale or disposal of Hydrocarbons and all other substances produced therefrom or attributable thereto (collectively, the “**Personal Property**”), including well equipment, casing, tubing, tanks, generators, boilers, buildings, pumps, motors, machinery, pipelines, flow lines and gathering systems, meters including check meters and measurement stations, valves, compressors, vapor recovery units, flares, monitoring equipment, power, utility, and communications lines and related facilities including towers, roads, field separation, conditioning, distillation, treating, sweetening or processing equipment and plants, buildings and structures including field offices and truck bays, equipment leases, trailers, on-site instruments, inventory and supplies and materials used or consumed by the Assets, spare parts, and all other improvements or appurtenances thereunto belonging and the SCADA Equipment, all Hydrocarbon inventory in storage or existing in pipelines, plants and tanks that is upstream of the sales meter as of the Effective Time;

(i) all tangible geological and geophysical data and other technical data and information to the extent primarily relating to the Assets and all tangible maps of such data and information owned or controlled by such Seller (the “**G&G Data**”);

(j) all permits, licenses, authorizations, franchises, orders, exemptions, variances, waivers, certificates, consents, rights and privileges issued by any Governmental Authority, as well as any applications for the same, to the extent primarily related to the Leases, Wells and Personal Property or the use thereof (the “**Governmental Authorizations**”);

(k) all audit rights, rights to receive refunds or payments of any nature, accounts receivable, and all amounts of money relating thereto, in each case from Third Parties to the extent arising from or relating to (x) the ownership, operation, sale or other disposition of the Assets from and after the Effective Time or (y) any costs and expenses that are chargeable to other joint interest owners with respect to the Assets that are attributable to the Interim Period;

(l) all claims, rights, demands, causes of action, suits, actions, judgments, damages, awards, recoveries, settlements, indemnities, duties, obligations and liabilities in favor of or owed to Sellers, in each case by or against Third Parties and to the extent relating to any Assumed Obligations or arising from acts, omissions or events, or damage to or destruction of Assets occurring from and after the Effective Time (excluding any such items to the extent the same relate to matters for which such Sellers are required to provide indemnification to Buyer hereunder or otherwise retain responsibility pursuant to the terms of this Agreement);

(m) all (x) Pipeline Imbalances and (y) all Wellhead Imbalances; and

(n) all of the files, records, information and data, whether written or electronically stored, to the extent primarily relating to the Assets or the ownership or operation thereof and which are in any Seller's possession or control (but excluding any files, records, information or data to the extent pertaining to the Excluded Assets), including: (i) land and title records (including abstracts of title and title opinions); (ii) Applicable Contract files; (iii) operations and engineering records, including open hole and cased hole logs, cores or core analyses, and reports, facility construction, operation and maintenance records, equipment manuals and maintenance records; (iv) G&G Data files; (v) environmental and safety records, (vi) production and accounting records; and (vii) facility and well records (collectively, the "**Records**").

2.2 **Excluded Assets.** Each Seller shall reserve and retain all of its right, title and interest in and to the Excluded Assets.

2.3 **Revenues and Expenses.** Subject to the provisions hereof, each Seller shall remain entitled to all of the rights of ownership (including the right to all production, proceeds of production and all other income, proceeds, receipts and credits) and shall remain responsible (by payment, through the adjustments to the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price (as applicable) hereunder or, subject to the terms of Article XIII, *through such Seller's Retained Obligations*) for all Property Expenses, in each case, attributable to its Working Interest in the Assets for the period of time prior to the Effective Time. Subject to the provisions hereof, and subject to the occurrence of Closing, Buyer shall be entitled to all of the rights of ownership (including the right to all production, proceeds of production and other proceeds), and shall be responsible for all Property Expenses, in each case, attributable to the Assets for the period of time from and after the Effective Time. "Property Expenses" shall mean all operating expenses (including costs of insurance, bonds and other guarantees), all fees, costs, and all capital expenditures incurred in the drilling, completion, ownership and operation of the Assets, and Third Party overhead costs charged or chargeable to the Assets under the relevant operating agreement or unit agreement (excluding overhead costs charged under the JDA Agreements), if any, but excluding any Income Taxes and Asset Taxes. For clarity, the term "Property Expenses" shall include any direct internal costs and expenses (excluding overhead) that a Seller incurs (or that are charged to a Seller) in respect of the Assets to the extent such internal costs and expenses would customarily be and have historically been charged or allocated by such Seller to the Assets as direct charges under the COPAS exhibit to the Sellers JOA as reflected in the Records made available to Buyer. Additionally, Property Expenses shall include any costs and expenses paid by any Seller or its Affiliates on behalf of and are chargeable to the other joint interest owners with respect of the Assets in the ordinary course of business that are

attributable to the Interim Period. Notwithstanding any of the foregoing, the term “Property Expenses” shall not include any marketing fees with respect to the Assets payable to any Seller or its Affiliates, and shall not include any overhead charges with respect to the Assets payable to any Seller or its Affiliates (but shall, for clarity, include marketing fees and expenses paid to Third Parties). After the Closing, each Party shall be entitled to participate in all joint interest audits and other audits of Property Expenses for which such Party is entirely or in part responsible under the terms of this Section 2.3.

ARTICLE III PURCHASE PRICE

3.1 *Purchase Price; Deposit.*

(a) The purchase price for the Pioneer Assets shall be an amount equal to One Hundred and Two Million Eight Hundred Thirty-Five Thousand Four Hundred Ten Dollars and Twelve cents (\$102,835,410.12) (the “**Pioneer Purchase Price**”), adjusted in accordance with this Agreement (the “**Pioneer Adjusted Purchase Price**”). The Pioneer Adjusted Purchase Price, less Pioneer’s Seller Share of the Initial Deposit and Second Deposit (to the extent funded by Buyer prior to Closing), shall be paid by Buyer to Pioneer at the Closing by wire transfer in immediately available funds to the bank account(s) designated by Pioneer in the Preliminary Settlement Statement.

(b) The purchase price for the Reliance Assets shall be an amount equal to Ninety-Nine Million Five Hundred Seventy Thousand One Hundred Fifty-Nine Dollars and Ninety-Five cents (\$99,571,159.95) (the “**Reliance Purchase Price**”), adjusted in accordance with this Agreement (the “**Reliance Adjusted Purchase Price**”). The Reliance Adjusted Purchase Price, less Reliance’s Seller Share of the Initial Deposit and Second Deposit, shall be paid by Buyer to Reliance at the Closing by wire transfer in immediately available funds to the bank account(s) designated by Reliance in the Preliminary Settlement Statement.

(c) The purchase price for the Newpek Assets shall be an amount equal to Nineteen Million One Hundred Thirty Thousand Nine Hundred Thirty-Nine Dollars and Ninety-Three cents (\$19,130,939.93) (the “**Newpek Purchase Price**” and, together with the Pioneer Purchase Price and the Reliance Purchase Price, the “**Purchase Price**”), adjusted in accordance with this Agreement (the “**Newpek Adjusted Purchase Price**” and, together with the Pioneer Adjusted Purchase Price and the Reliance Adjusted Purchase Price, the “**Adjusted Purchase Price**”). The Newpek Adjusted Purchase Price, less Newpek’s Seller Share of the Initial Deposit and Second Deposit, shall be paid by Buyer to Newpek at the Closing by wire transfer in immediately available funds to the bank account(s) designated by Newpek in the Preliminary Settlement Statement.

(d) No later than twelve (12) Australian Business Days following the day on which the Execution Date occurs (as calculated in accordance with Section 1.2) (the “**Initial Deposit Deadline**”), Buyer has the right, but not the obligation, to pay to each Seller such Seller’s Seller Share of an amount equal to \$48,000,000.00 (the “**Initial Deposit**”) by wire transfer in immediately available funds to the bank account(s) designated by each such Seller. If Closing occurs, the Initial Deposit (without interest) shall be applied towards the Adjusted Purchase Price

at Closing in accordance with Section 9.3(d). If Buyer does not pay the full Initial Deposit to Sellers by the Initial Deposit Deadline, then at any time after the Initial Deposit Deadline until the full Initial Deposit is paid to Sellers, any Party may give written notice to the other Parties of the termination of this Agreement, and upon the delivery of such notice of termination, this Agreement shall automatically terminate without further action of any Party, and in such event no Party shall have any Liability to any other Party hereunder; provided that the Surviving Provisions shall, in each case, survive such termination and the Parties shall not be relieved of any Liabilities with respect to the Surviving Provisions. Termination of this Agreement (and obligations with respect to the Surviving Provisions) shall be the only consequence of Buyer's failure to pay the full Initial Deposit to Sellers, and Buyer shall have no other Liability to Sellers as a result of such failure.

(e) If Buyer pays the full Initial Deposit to Sellers before any Party has delivered notice of termination of this Agreement as provided in Section 3.1(d), then no later than seven (7) Australian Business Days following the day on which Buyer pays the full Initial Deposit to Sellers (as calculated in accordance with Section 1.2) (the "**Second Deposit Deadline**"), Buyer has the right, but not the obligation, to pay to each Seller such Seller's Seller Share of an amount equal to \$25,000,000.00 (the "**Second Deposit**") by wire transfer in immediately available funds to the bank account(s) designated by each such Seller. If Closing occurs, the Second Deposit (without interest) shall be applied towards the Adjusted Purchase Price at Closing in accordance with Section 9.3(d). If Buyer does not pay the full Second Deposit to Sellers by the Second Deposit Deadline, then at any time after the Second Deposit Deadline until the full Second Deposit is paid to Sellers, any Party may give written notice to the other Parties of the termination of this Agreement, and upon the delivery of such notice of termination, this Agreement shall automatically terminate without further action of any Party, and in such event no Party shall have any Liability to any other Party hereunder; provided that the Surviving Provisions shall, in each case, survive such termination and the Parties shall not be relieved of any Liabilities with respect to the Surviving Provisions. If such termination occurs as a result of a non-payment of the Second Deposit, Sellers shall be entitled to retain the Initial Deposit or shall be obligated to return the Initial Deposit (without interest) to Buyer as provided in Section 14.2. Termination of this Agreement (and Sellers' retention or refund of the Initial Deposit pursuant to such termination and obligations with respect to the Surviving Provisions) shall be the only consequence of Buyer's failure to pay the full Second Deposit to Sellers, and Buyer shall have no other Liability to Sellers as a result of such failure.

3.2 Adjustments to Purchase Price. The Purchase Price shall be adjusted as follows:

(a) The Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price shall each be adjusted upward by the following amounts insofar as such adjustments relate to the Pioneer Assets, the Reliance Assets and/or the Newpek Assets (as applicable and without duplication):

(i) an amount equal to, to the extent that such amount has been received by Buyer and not remitted or paid to any Seller, the value of all Hydrocarbon inventory from or attributable to the Assets in storage or existing in pipelines, plants and tanks upstream of the sales meter as of the Effective Time, the value to be based upon the contract price in effect as of the Effective Time (or the sales price, if there is no contract price, in effect as of the Effective Time);

(ii) an amount equal to all Property Expenses (excluding, for the avoidance of doubt, any Income Taxes, Asset Taxes and Property Expenses deducted under Section 3.2(b)(i) below) paid by any Seller that are attributable to the Assets during the period from and after the Effective Time, whether paid before or after the Effective Time, and the following costs and expenses paid by any Seller that are attributable to the Assets during the period from and after the Effective Time, whether paid before or after the Effective Time: (A) bond and insurance premiums paid by or on behalf of any Seller with respect to the Interim Period, (B) Burdens, (C) rentals and other lease maintenance payments and (D) prepayments for work or services performed (or to be performed) in the ordinary course after the Effective Time;

(iii) a monthly amount (for the period commencing from the Effective Time through the Closing Date) equal to such Seller's Seller Share of \$136,000 per month (which amounts cover such Seller's overhead and any overhead paid under the joint operating agreements and unit agreements);

(iv) to the extent that a Seller is underproduced for any Well as of the Effective Time with respect to the Wellhead Imbalances, the sum of (A) the dollar amount per MCF set forth on Schedule 4.11 for such Well times (B) the amount of underproduced volumes attributable to such Well at the Effective Time;

(v) to the extent that any Seller has underdelivered Hydrocarbons for any pipeline or CGP as of the Effective Time with respect to the Pipeline Imbalances (and such Pipeline Imbalances are not cash settled by Sellers to their benefit prior to Closing), the sum of (A) the dollar amount per MMBtu set forth on Schedule 4.11 for such pipeline or CGP times (B) the amount of the underdelivered volumes attributable to such Well at the Effective Time;

(vi) the amount of all Asset Taxes allocated to Buyer in accordance with Section 15.2 but only to the extent they are paid or otherwise economically borne by any Seller; and

(vii) any other amount provided for elsewhere in this Agreement or otherwise agreed upon in writing by any Seller or Sellers and Buyer.

(b) The Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price shall each be adjusted downward by the following amounts insofar as such adjustments relate to the Pioneer Assets, the Reliance Assets and/or the Newpek Assets (as applicable and without duplication):

(i) an amount equal to, to the extent that such amount has been received by a Seller and not remitted or paid to Buyer, all proceeds actually received by such Seller attributable to the ownership or operation of the Assets, including the sale of Hydrocarbons produced therefrom or allocable thereto during the period following the Effective Time, net of any royalties, similar burdens and Property Expenses that are paid or otherwise borne by the Sellers and are directly incurred in connection with or are chargeable to such proceeds in accordance with Sellers' customary practice;

(ii) [Reserved];

(iii) the amount of all Asset Taxes allocated to a Seller in accordance with Section 15.2 but only to the extent they are paid or otherwise economically borne by Buyer;

(iv) an amount equal to all proceeds from sales of Hydrocarbons relating to the Assets and payable to owners of Working Interests, royalties, overriding royalties and other similar interests (in each case) that are held by such Sellers in suspense as of the Closing Date;

(v) to the extent that a Seller is overproduced for any Well as of the Effective Time with respect to the Wellhead Imbalances, the sum of (A) the dollar amount per MCF set forth on Schedule 4.11 for such Well times (B) the amount of overproduced volumes attributable to such Well at the Effective Time;

(vi) to the extent that any Seller has overdelivered Hydrocarbons for any pipeline or CGP as of the Effective Time with respect to the Pipeline Imbalances (and such Pipeline Imbalances are not cash settled by Sellers to their benefit prior to Closing), the sum of (A) the dollar amount per MMBtu set forth on Schedule 4.11 for such pipeline or CGP times (B) the amount of the overdelivered volumes attributable to such pipeline or CGP at the Effective Time; and

(vii) any other amount provided for elsewhere in this Agreement or otherwise agreed upon in writing by any Seller or Sellers and Buyer.

3.3 **Preliminary Settlement Statement.** Not less than three (3) Business Days prior to Closing, Sellers shall prepare and submit to Buyer for review a draft settlement statement (the “**Preliminary Settlement Statement**”) *that shall set forth Sellers’ estimate of the Pioneer Adjusted Purchase Price, the Reliance Adjusted Purchase Price and the Newpek Adjusted Purchase Price, reflecting each adjustment made in accordance with this Agreement as of the date of preparation of such Preliminary Settlement Statement and the calculation of the adjustments used to determine such amounts, together with the designation of each Seller’s account for the wire transfers of funds as required by Section 3.1 and Section 9.3(d). Within two (2) Business Days after receipt of the Preliminary Settlement Statement, Buyer shall deliver to Sellers a written report containing all changes that Buyer proposes to be made to the Preliminary Settlement Statement together with the explanation therefor and the supporting documents thereof. Subject to the proviso in the final sentence of this Section 3.3, the Parties shall in good faith attempt to agree in writing on the Preliminary Settlement Statement as soon as possible after Sellers’ receipt of Buyer’s written report. The Preliminary Settlement Statement, as agreed upon in writing by the Parties, will be used to adjust the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price at Closing; provided that if the Parties do not agree in writing upon any or all of the adjustments set forth in the Preliminary Settlement Statement, then the amount of such adjustment or adjustments used to adjust the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price at Closing shall be that amount set forth in the draft Preliminary Settlement Statement delivered by Sellers to Buyer pursuant to this Section 3.3.*

3.4 **Final Settlement Statement.**

(a) On or before one hundred twenty (120) days after Closing, a final settlement statement (the “**Final Settlement Statement**”) will be prepared by Sellers and delivered to Buyer,

based on actual income and expenses (if known) during the Interim Period and which takes into account all final adjustments made to the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price, as applicable, and shows the resulting final Pioneer Purchase Price, Reliance Purchase Price and Newpek Purchase Price, as applicable (the “**Final Price**”). The Final Settlement Statement shall set forth the actual proration of the amounts required by this Agreement. As soon as practicable, and in any event within thirty (30) days after receipt of the Final Settlement Statement, Buyer shall return to Sellers a written report containing any proposed changes to the Final Settlement Statement and an explanation of any such changes and the reasons therefor (the “**Dispute Notice**”). Any changes not so specified in the Dispute Notice shall be deemed waived, and Sellers’ determinations with respect to all such elements of the Final Settlement Statement that are not addressed specifically in the Dispute Notice shall prevail. If Buyer fails to timely deliver a Dispute Notice to Sellers containing changes Buyer proposes to be made to the Final Settlement Statement, the Final Settlement Statement as delivered by Sellers will be deemed to be correct and will be final and binding on the Parties and not subject to further audit or arbitration. If the Final Price set forth in the Final Settlement Statement is mutually agreed upon in writing by Sellers and Buyer, the Final Settlement Statement and the Final Price, shall be final and binding on the Parties and not subject to further audit or arbitration. Any difference in the Adjusted Purchase Price as paid at Closing pursuant to the Preliminary Settlement Statement and the Final Price shall be paid by the owing Party within ten (10) Business Days of final determination of such owed amounts in accordance herewith to the owed Party. All amounts paid pursuant to this Section 3.4 shall be delivered in United States currency by wire transfer of immediately available funds to the account specified in writing by the relevant Party.

(b) If, after the delivery of the Final Settlement Statement pursuant to the provisions of Section 3.4(a), any Party receives monies (including proceeds of production) belonging to another Party pursuant to Section 2.3 or otherwise, then such monies shall, within five (5) Business Days after the end of the month in which they were received, be paid over by the receiving Party to the owed Party. Additionally, if after delivery of the Final Settlement Statement, any Party pays monies relating to the Assets that are the obligation of any other Party hereunder, or receives an invoice or other request for payment of any amount which is the obligation of any other Party hereunder, then the Party responsible for such obligation shall, within five (5) Business Days after the end of the month in which the applicable invoice and/or proof of payment of such invoice are received by it, reimburse such the Party making such payment or receiving such invoice or request therefor. Each Party shall be permitted to offset any monies owed by it to any other Party under any provision of this Agreement against amounts owing by it to such other Party pursuant to this Section 3.4.

3.5 **Disputes.** Sellers and Buyer shall work together in good faith to resolve any matters addressed in the Dispute Notice. If Sellers and Buyer are unable to resolve all of the matters addressed in the Dispute Notice within ten (10) Business Days after the delivery of such Dispute Notice by Buyer to Sellers, any Party may, upon notice to the other Parties, submit all unresolved matters addressed in the Dispute Notice to arbitration in accordance with this Section 3.5. *Within ten (10) Business Days of a matter being submitted to arbitration by a Party in accordance with the preceding sentence, each of Buyer and Sellers shall (a) summarize their position with regard to such dispute in a written document of twenty (20) pages or less and (b) submit such summaries to the Dallas, Texas office of PricewaterhouseCoopers LLP or such other Person as the Parties may mutually select (the “Accounting Arbitrator”), together with the Dispute Notice, the Final*

Settlement Statement and any other documentation such Party may desire to submit. If the Parties cannot agree on an Accounting Arbitrator within ten (10) Business Days after a Party's election to submit such matters to arbitration under this Section 3.5, then either Party may request the Dallas, Texas office of the American Arbitration Association (the "AAA") (or, if there is no such office, the office of the AAA serving Dallas, Texas) to select the Accounting Arbitrator. Within ten (10) Business Days after receiving the Parties' respective submissions, the Accounting Arbitrator shall render a decision choosing either Sellers' position or Buyer's position with respect to each matter addressed in any Dispute Notice, based on the materials described above. Any decision rendered by the Accounting Arbitrator pursuant hereto shall be final, conclusive and binding on Sellers and Buyer and enforceable against any of the Parties in any court of competent jurisdiction. The costs of the Accounting Arbitrator shall be borne equally between the Parties.

3.6 ***Allocated Values.*** Buyer and Sellers agree that the Purchase Price shall be allocated among the Assets as set forth on Exhibit A, Exhibit B and Exhibit D (the "***Allocated Values***"). *Buyer and Sellers agree that such allocation is reasonable and shall not take any position inconsistent therewith. Sellers, however, make no representation or warranty as to the accuracy of such values.*

3.7 ***Purchase Price Allocation.*** Buyer and Sellers agree to allocate the Purchase Price and any other items properly treated as consideration for U.S. federal income Tax purposes among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder and, to the extent allowed by applicable Laws, in a manner consistent with the Allocated Values, as set forth on Schedule 3.7 (the "***Allocation***"). *Buyer and Sellers shall use Commercially Reasonable Efforts to update the Allocation in accordance with Section 1060 of the Code following any adjustment to the Purchase Price pursuant to this Agreement, and Buyer and Sellers shall, and shall cause their Affiliates to, report consistently with the Allocation, as adjusted, on all Tax Returns, including Internal Revenue Service Form 8594 (Asset Acquisition Statement under Section 1060); provided, however, that no Party shall be unreasonably impeded in its ability and discretion to negotiate, compromise and settle any Tax audit, claim or similar proceedings in connection with such allocation.*

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF EACH SELLER

Each Seller severally and not jointly represents and warrants to Buyer, solely with respect to itself and its Seller Share of the Assets (it being understood that representations below with respect to the Assets or other properties included therein shall be understood to refer only to its Seller Share of the Assets or such properties), the following:

4.1 ***Organization, Existence and Qualification.*** Such Seller is a corporation, limited partnership or limited liability company duly formed and validly existing under the Laws of the state of its formation. Such Seller has all requisite corporate, partnership or company (as the case may be) power and authority to own and operate its property (including its interests in the Assets) and to carry on its business as now conducted. Such Seller is duly licensed or qualified to do business as a foreign corporation, limited partnership or limited liability company (as the case may be) in the State of Texas, except where the failure to be so qualified would not affect such Seller's

ability to consummate the transactions contemplated by this Agreement or perform its obligations hereunder.

4.2 ***Authority, Approval and Enforceability.*** Such Seller has full corporate, partnership or company (as the case may be) power and authority to enter into and perform this Agreement, the Transaction Documents to which it is a party and the transactions contemplated herein and therein. The execution, delivery and performance by such Seller of this Agreement and the Transaction Documents to which it is a Party have been duly and validly authorized and approved by all necessary corporate, limited partnership or company (as the case may be) action on the part of such Seller. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement is, and the Transaction Documents to which such Seller is a party when executed and delivered by such Seller will be, the valid and binding obligations of such Seller and enforceable against such Seller in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

4.3 ***No Conflicts.*** Assuming the receipt of all Consents and the waiver of or compliance with all Preferential Purchase Rights, the execution, delivery and performance by such Seller of this Agreement, the Transaction Documents to which it is a Party and the consummation of the transactions contemplated herein and therein will not ***conflict with or result in a breach of any provisions of the organizational documents of such Seller, give rise to any right of default, termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or other Material Contract, (c) violate, conflict with or constitute a breach of any judgment, order, ruling or decree applicable to such Seller as a party in interest or to the Assets, or (d) violate any Law applicable to such Seller or any of such Seller's interests in the Assets, except in the case of clauses (b), (c) and (d) where such default, Encumbrance, termination, cancellation, acceleration, conflict or violation would not affect such Seller's ability to consummate the transactions contemplated by this Agreement or perform its obligations hereunder.***

4.4 ***Consents.*** ***Except as set forth on Schedule 4.4, for Customary Post-Closing Consents and under Contracts that are terminable upon not greater than ninety (90) days' notice without payment of any fee or incurring other penalty or detriment, there are no restrictions on assignment, including requirements for consents from Third Parties to any assignment (in each case), that such Seller is required to obtain in connection with the transfer of the Pioneer Assets, the Reliance Assets or the Newpek Assets, as applicable, by such Seller to Buyer or the consummation of the transactions contemplated by this Agreement by such Seller (each, a "Consent").***

4.5 ***Bankruptcy.*** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to such Seller's Knowledge, threatened in writing against such Seller.

4.6 ***Litigation.*** ***Except as set forth on Schedule 4.6, there are no Proceedings pending against such Seller (with respect to the Assets or concerning the ownership, use or operations of***

any thereof), of which such Seller has received service or written notice or, to such Seller's Knowledge, threatened in writing against such Seller (with respect to the Assets).

4.7 **Material Contracts.**

(a) Schedule 4.7 sets forth, as of the Execution Date, all Applicable Contracts of such Seller of the type described below (collectively, the "**Material Contracts**"):

(i) any Applicable Contract that can reasonably be expected to result in aggregate payments by such Seller of more than \$100,000 (net to the aggregate interest of Sellers in the Assets) during the remainder of the current or any subsequent calendar year (based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(ii) any Applicable Contract that can reasonably be expected to result in aggregate revenues to such Seller of more than \$100,000 (net to the aggregate interest of Sellers in the Assets) during the remainder of the current or any subsequent calendar year (based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(iii) any Hydrocarbon purchase, sale, exchange, transportation, gathering, handling, stabilizing, separation, compression, dehydrating, treating, distilling, conditioning, blending, processing, fractionation, volume or throughput commitments dedications, supply, disposal or similar Applicable Contract that is not terminable without penalty, cost or detriment upon ninety (90) days' or less notice;

(iv) any water purchase, gathering, transportation, handling, disposal or similar Applicable Contract that is not terminable without penalty, cost or detriment upon ninety (90) days' or less notice;

(v) any indenture, mortgage, loan, credit or sale-leaseback or similar Applicable Contract that is secured with mortgages or liens on the Assets;

(vi) any Applicable Contract that constitutes a lease under which such Seller is the lessor or the lessee of real or Personal Property which lease (A) cannot be terminated by such Seller without penalty, cost or detriment upon ninety (90) days' or less notice and (B) involves an annual base rental of more than \$100,000 (net to the aggregate interest of Sellers in the Assets and without regard to any increase in price);

(vii) any farmout agreement, exchange agreement, participation agreement, exploration agreement, development agreement, joint venture agreement, joint operating agreement, unit agreement, drilling or completion commitment agreements or any similar Applicable Contract, in each case, that will continue to apply to the Assets following the Closing and where any material obligation thereunder has not been fully performed;

(viii) any Applicable Contract between such Seller and any Affiliate of such Seller or between such Seller and any other Seller or their respective Affiliates that will not be terminated prior to or as of the Closing;

- (ix) any Applicable Contract that provides for an area of mutual interest;
- (x) any Applicable Contract that contains a non-compete agreement or otherwise purports to restrict, limit or prohibit the manner in which, or the locations in which, such Seller may conduct its business;
- (xi) all net profits interests or production payments burdening such Seller's interest in any of the Assets;
- (xii) all Applicable Contracts for the construction and installation or rental of equipment, fixtures, or facilities with guaranteed production throughput requirements or demand charges which cannot be terminated by Buyer without penalty, cost or consent on ninety (90) days' or less notice and which could reasonably be expected to result in aggregate payments by the Buyer of more than \$100,000 (net to the aggregate interest of Sellers in the Assets) during the current or any subsequent calendar year;
- (xiii) any Applicable Contract between such Seller and any employee or consultant that would be binding on Buyer as a successor in interest of the Assets;
- (xiv) G&G Data licensing agreements or other agreements governing ownership and/or the right to transfer or disclose G&G Data;
- (xv) any Applicable Contract that is a purchase and sale agreement with material obligations that have not been completely performed; and
- (xvi) any Applicable Contract containing a Tax partnership agreement.

(b) Except as set forth on Schedule 4.7, to such Seller's Knowledge, all of the Material Contracts are in full force and effect, all of the Material Contracts are legal, valid and binding obligations against such Seller and, to such Seller's Knowledge, the other party thereto, there exists no material default under any Material Contract by such Seller or, to such Seller's Knowledge, by any other Person that is a party to such Material Contract, and no event has occurred that with notice or lapse of time or both would constitute any material default under any such Contract by such Seller or, to such Seller's Knowledge, any other Person who is a party to such Material Contract, and as of the Execution Date, such Seller has not received any written notice of default or any claim under any Material Contract which is currently pending and (x) could impose any material liability on Buyer or the Assets or (y) which could materially impair the ownership, operation or value of the Assets. Prior to the Execution Date, Sellers have made available to Buyer true and complete copies of each Material Contract and all amendments or modifications thereto. Except as listed on Schedule 4.7, as of the Execution Date, no counter-party has provided such Seller with written notice of intent to cancel, withdraw, or materially amend or modify any Material Contract.

4.8 *No Violation of Laws.* Except as set forth on Schedule 4.8, *such Seller is not in violation of any Laws in any material respect with respect to its ownership and operation of its interests in the Assets. This Section 4.8 does not include any matters with respect to Environmental Laws or with respect to matters covered under Section 4.20, such matters being addressed exclusively in Section 4.15 and Section 4.20 below.*

4.9 **Preferential Purchase Rights.** Except as set forth on Schedule 4.9, there are no preferential purchase rights, rights of first refusal or other similar rights that are applicable to the transfer of such Seller's interests in the Assets in connection with the transactions contemplated hereby (each a "Preferential Purchase Right").

4.10 **Royalties and Payments.** Except as set forth on Schedule 4.6 or Schedule 4.25 and for such items that are being held in suspense for which the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price are adjusted pursuant to Section 3.2(b)(iv), to such Seller's Knowledge, such Seller has timely and completely paid or satisfied, in all material respects, all rentals, shut-in payments, other similar payment obligations, royalties and other Burdens with respect to its interests in the Assets due by such Seller, or if not paid, is contesting such payments or Burdens in good faith in the ordinary course and has disclosed such contested proceedings to Buyer on the schedules to this Agreement.

4.11 **Imbalances.** To such Seller's Knowledge, Schedule 4.11 sets forth all Wellhead Imbalances and Pipeline Imbalances associated with such Seller's interests in the Assets as existing at the Effective Time.

4.12 **Current Commitments; Wells in Progress.** Schedule 4.12 sets forth, as of the Execution Date, each authority for expenditures for an amount greater than \$100,000 (net to the aggregate interest of Sellers in the Assets) (collectively, the "AFEs") relating to such Seller's interests in the Assets to drill or rework wells or for other capital expenditures for which all of the activities anticipated in such AFEs or commitments have not been completed by the Execution Date, and there are no other commitments of such Seller to make capital commitments with respect to the Assets exceeding \$100,000 (net to the aggregate interest of Sellers in the Assets) other than those set forth on Schedule 4.12. Schedule 4.12 sets forth all Wells on the Leases or on land pooled or unitized therewith on which operations for drilling, completion or reworking have been commenced or are scheduled to be commenced as of the Execution Date in which such Seller is participating as a working interest owner ("Wells in Progress").

4.13 **Asset Taxes.** All returns, reports, statements (including estimated returns, reports and statements) and other similar filings ("Tax Returns"), including any related schedule or attachment hereto, required to be filed by or on behalf of such Seller with respect to Asset Taxes have been timely filed with the appropriate Governmental Authority in all jurisdictions in which such Tax Returns are required to be filed; to Seller's Knowledge such Tax Returns are true and correct in all material respects and disclose all Asset Taxes required to be paid in respect of its Assets; all Asset Taxes due as shown by such Tax Returns or otherwise with respect to the Assets have been timely and properly paid; there are not currently in effect any extensions or waivers of any statute of limitations of any jurisdiction regarding the assessment or collection of any Asset Taxes; there are no tax proceedings against the Assets or such Seller by any Governmental Authority; and there are no tax liens, charges, obligations or other Encumbrances related to nonpayment of Asset Taxes on any of the Assets except for liens for taxes not yet due. Seller has not entered into any tax partnerships with respect to the Assets that will be applicable to the Leases or Wells following the Closing.

4.14 *Brokers' Fees.* Neither of such Seller nor its Affiliates has incurred any Liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Buyer or Buyer's Affiliates shall have any responsibility.

4.15 *Environmental Laws.*

(a) To such Seller's Knowledge, such Seller's ownership and operation of its respective interests in the Assets is in compliance in all material respects with applicable Environmental Laws, and such Seller or any Third Party operator possesses and is in material compliance with all Governmental Authorizations required under Environmental Laws for the operation of the Assets and all such Governmental Authorizations are in full force and effect in all material respects;

(b) As of the Execution Date, such Seller (i) has not received from any Governmental Authority any written notice of material violation of, alleged violation of, non-compliance with any Environmental Law or Governmental Authorization issued under Environmental Laws involving its operation of its respective interests in the Assets other than notices with respect to matters that have been resolved to the satisfaction of any relevant Governmental Authority, (ii) is not subject to any outstanding "administrative order," "consent order" or other agreement or Proceeding with respect to the ownership or operation of its respective interests in the Assets, with a Governmental Authority imposing or seeking to impose material ongoing obligations, damages, fines or penalties pursuant to Environmental Laws, and (iii) has not received from any Person any written demand or notice regarding any discharge, spill, release or other occurrence on or emanating from the Assets involving Hazardous Substances that could result in material Liabilities arising out of ownership of the Assets; and

(c) Copies of all final written reports of environmental site assessments and/or compliance audits that have been prepared by a Third Party or by or on behalf of such Seller or the Assets since April 1, 2014, that are in such Seller's possession or control, and that identify or address any material Environmental Defect affecting such Seller's interests in the Assets have been made available for inspection by Buyer.

4.16 *Payments for Production.* Such Seller is not obligated by virtue of a take-or-pay payment, advance payment or other similar payment (other than gas balancing agreements) to deliver Hydrocarbons, or proceeds from the sale thereof, attributable to such Seller's interest in the Assets at some future time without receiving full payment therefor at or after the time of delivery.

4.17 *Payout Status.* To such Seller's Knowledge, Schedule 4.17 sets forth the "payout" balance, as of the dates set forth on such Schedule, for each Well attributable to such Seller's interests in the Assets, subject to a reversion or other adjustment at some level of cost recovery or payout (or passage of time or other event other than termination of a Lease by its terms).

4.18 *Bonds and Credit Support.* Schedule 4.18 lists all Asset Credit Support as of the Execution Date posted by such Seller.

4.19 ***Suspense Funds.*** *To such Seller's Knowledge, except as set forth on Schedule 4.19, as of the date set forth on such Schedule, such Seller does not hold any material Third Party suspense funds.*

4.20 ***Plugging and Abandonment; Decommissioning Obligations.***

(a) To such Seller's Knowledge, no Well or Other Well located on the Leases or on land pooled therewith, or otherwise included in, the Assets has been plugged and abandoned other than in compliance in all material respects with applicable Law, Applicable Contracts and the Leases. To such Seller's Knowledge, (i) such Seller's or the applicable Third Party operator is not currently obligated by any Laws or Applicable Contract or Lease to currently plug, dismantle or plug any Well or Other Well, and (ii) except as listed on Schedule 4.20, as of the Execution Date there are no Wells or Other Wells located on the Lands for which such Seller received a written order from a Governmental Authority requiring that such Well be plugged, abandoned, and reclaimed and which have not been plugged, abandoned, and reclaimed. Exhibit B notes all Wells that are shut-in or temporarily abandoned as of the Execution Date.

(b) To such Seller's Knowledge, no Assets (other than the Wells) have been closed, removed, purged, abandoned, capped, remediated and restored or otherwise Decommissioned, as applicable, other than in compliance in all material respects with applicable Law. To such Seller's Knowledge, except as listed on Schedule 4.20, as of the Execution Date there are no Assets (other than the Wells) for which such Seller or the applicable Third Party operator has received a written notice from a Governmental Authority that such Seller or applicable Third Party operator is obligated by any Laws to currently close, remove, purge, abandon, cap, remediate or restore or otherwise Decommission any Assets.

4.21 ***Governmental Authorizations.*** To such Seller's Knowledge, such Seller has obtained and is maintaining all material Governmental Authorizations that are presently necessary or required for the ownership and operation of the Assets that are currently operated by such Seller. To such Seller's Knowledge, with respect to all Assets that are not operated by Seller as of the Execution Date, the operator thereof has obtained and is maintaining all material Governmental Authorizations that are presently necessary or required for the ownership or operation of such Assets. To such Seller's Knowledge, such Seller has operated the Assets it operates and the operator of all Assets that are not operated by Seller has operated such Assets in all material respects in accordance with the conditions and provisions of such Governmental Authorizations. As of the Execution Date, such Seller has not received and, to such Seller's Knowledge, no Third Party operator of the Assets has received, any written notices of material violations of Governmental Authorizations that are pending or are otherwise unresolved.

4.22 ***Foreign Person.*** Such Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

4.23 ***Absence of Changes and Events.*** From the Effective Time to the Closing Date:

(a) except as permitted by this Agreement or disclosed to Buyer, such Seller has not waived, compromised or settled any rights or claims against any Third Party, to, under or involving an Asset with a value in excess of \$100,000 individually, or \$250,000 in the aggregate;

(b) such Seller has not made a loan to, or entered into any other transaction with, any of the members, partners, directors, officers, or employees of such Seller that is not in the ordinary course of business of such Seller and that would be binding upon the Assets after Closing;

(c) such Seller has not transferred, sold or disposed of any material portion of the Assets, other than (i) the sale or disposal of Hydrocarbons in the ordinary course of business, (ii) the sale of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment has been obtained, or (iii) items constituting Permitted Encumbrances; and

(d) such Seller has not committed to do any of the foregoing.

4.24 **Wells.** To such Seller's Knowledge, all Wells and Other Wells have been drilled within the limits permitted by applicable Law, Applicable Contracts or any applicable pooling or unit agreements. To such Seller's Knowledge, no Well is subject to penalties on allowables on or after the Effective Time because of any overproduction or other violation of Laws.

4.25 **Leases.** *All Leases are beyond their primary terms. Except as set forth on Schedule 4.25, such Seller has not received, within the eighteen (18) months prior to the Execution Date, any written demands or notices of material default, breach or non-compliance from a lessor under any of the Leases that are currently pending or unresolved. Except as set forth on Schedule 4.25, there is no continuous drilling obligation in any Lease, or term assignment of such Lease, requiring such Seller to drill any wells or commence drilling operations prior to six (6) months from the Execution Date to maintain such Lease or proportion thereof with respect to the Subject Depths.*

ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Sellers the following:

5.1 **Organization, Existence and Qualification.** Buyer is a *corporation duly formed, validly existing and in good standing under the Laws of the State of Colorado and has all requisite power and authority to own and operate its property and to carry on its business as now conducted. Buyer is duly licensed or qualified to do business as a foreign corporation in all jurisdictions in which the Assets are located and it carries on business or owns assets and such qualification is required by Law except in the case of this clause (b) where the failure to be so qualified would not have a material adverse effect upon the ability of Buyer to consummate the transactions contemplated by this Agreement or perform its obligations hereunder.*

5.2 **Authority, Approval and Enforceability.** Buyer has full corporate power and authority to enter into and perform this Agreement, the Transaction Documents to which it is a party and the transactions contemplated herein and therein. The execution, delivery and performance by Buyer of this Agreement and the Transaction Documents has been duly and validly authorized and approved by all necessary company action on the part of Buyer. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement is, and the Transaction Documents to which Buyer is a party when executed and delivered by Buyer will be, the valid and binding obligations of Buyer and enforceable against Buyer in accordance with their respective terms, subject to the effects of bankruptcy, insolvency,

reorganization, moratorium and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

5.3 **No Conflicts.** The execution, delivery and performance by Buyer of this Agreement, the Transaction Documents and the consummation of the transactions contemplated herein and therein will not *conflict with or result in a breach of any provisions of the organizational documents of Buyer, result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or other agreement to which Buyer is a party or by which Buyer or any of its property may be bound, violate, conflict with or constitute a breach of any judgment, order, ruling or decree applicable to Buyer or any of its property, or violate any Law applicable to Buyer or any of its property, except in the case of clauses (b), (c) and (d) where such default, Encumbrance, termination, cancellation, acceleration, conflict or violation would not have a material adverse effect upon the ability of Buyer to consummate the transactions contemplated by this Agreement and the Transaction Documents or perform its obligations hereunder and thereunder.*

5.4 **Consents.** There are no consents or approvals (including from Third Parties) that Buyer is required to obtain in connection with the consummation of the transactions contemplated by this Agreement by Buyer.

5.5 **Bankruptcy.** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to Buyer's knowledge, threatened in writing against Buyer or any Affiliate of Buyer. *Buyer is not (and will not be upon consummation of the transactions contemplated hereby) insolvent.*

5.6 **Litigation.** There are no Proceedings pending, or to Buyer's knowledge, threatened in writing against Buyer that would have a material adverse effect upon the ability of Buyer to consummate the transactions contemplated by this Agreement.

5.7 **Financing.** Buyer shall have as of the Closing Date sufficient commitments without material contingencies and/or cash in immediately available funds with which to pay the Purchase Price (as *adjusted* herein), consummate the transactions contemplated by this Agreement and perform its obligations under this Agreement and the Transaction Documents.

5.8 **Regulatory.** *Buyer will upon Closing and thereafter shall continue to be qualified per applicable Law to own and assume operatorship of the Assets in all jurisdictions where the Assets are located, and the consummation of the transactions contemplated by this Agreement will not cause Buyer to be disqualified as such an owner or operator. To the extent required by any Laws, Buyer will upon Closing and thereafter shall continue to maintain, Asset Credit Support as may be required by, and in accordance with, all Laws governing the ownership and operation of the Assets and will file any and all required reports necessary for such ownership and operation with all Governmental Authorities having jurisdiction over such ownership and operation. To Buyer's Knowledge, there is no fact or condition with respect to Buyer or its obligations hereunder that may cause any Governmental Authority to withhold its unconditional approval of the transactions contemplated hereby to the extent approval by such Governmental Authority is required by Law.*

5.9 **Independent Evaluation.** Buyer is (a) *sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities, (b) capable of evaluating, and hereby acknowledges that upon receiving the access to the Assets and Records described in Section 10.1 it will have so evaluated, the merits and risks of the Assets, Buyer's acquisition, ownership, and operation thereof, and its obligations hereunder and (c) able to bear the economic risks associated with the Assets, Buyer's acquisition, ownership, and operation thereof, and its obligations hereunder. In making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer (a) except for the representations and warranties of each Seller expressly set forth in Article IV, or Section 11.1(b) and in the Sellers' Certificates, has relied or shall rely solely on its own independent investigation and evaluation of the Assets and the advice of its own legal, Tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by any representatives or consultants or advisors of Sellers and (b) has satisfied or shall satisfy itself through the representations, warranties and covenants set forth herein and its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Assets. As of the Execution Date, except for matters disclosed in the title and environmental defect notices sent to Sellers from Buyer on December 2, 2017, which shall constitute Assumed Obligations, Buyer has no Knowledge of any material breach of the representations or warranties contained in Section 4.15 and Section 4.25 of any Seller or of any breach of the Special Warranty of Title that will be given in the Assignment at Closing.*

5.10 **Brokers' Fees.** Neither Buyer nor its Affiliates has incurred any Liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Sellers or any Seller's Affiliates shall have any responsibility.

5.11 **Accredited Investor.** Buyer is an "accredited investor," as such term is defined in Regulation D of the Securities Act of 1933, as amended, and will acquire the Assets for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act of 1933, as amended, and the rules and regulations thereunder, any state blue sky Laws or any other securities Laws.

ARTICLE VI CERTAIN AGREEMENTS

6.1 **Conduct of Business.**

(a) Except (w) as set forth on Schedule 6.1, (x) for the operations covered by the AFEs, the Wells in Progress, and other capital commitments described on Schedule 4.12, (y) for actions taken in connection with emergency situations or to maintain a lease or as required by Law or a Governmental Authority and (z) as expressly contemplated by this Agreement or as expressly consented to in writing by Buyer (which consent shall not be unreasonably delayed, withheld or conditioned), each Seller shall, from and after the Execution Date until Closing:

(i) use Commercially Reasonable Efforts to (x) own and, if applicable, operate the Assets in a good and workmanlike manner consistent with past practice, and (y) maintain the Leases, Surface Rights and Material Contracts in force and effect;

(ii) use Commercially Reasonable Efforts to give written notice to Buyer as soon as practicable, but in any event within three (3) Business Days of such Seller acquiring Knowledge, of the receipt by such Seller of (A) any written claims, demands, suits or actions made by a Third Party or Governmental Authority against such Seller which materially affects the Assets, (B) any written notice to or from any Third Party or Governmental Authority of material default or violation by such Third Party or such Seller under any Material Contract, Lease, or Government Authorization, (C) the occurrence of any event that such Seller reasonably believes will have an adverse impact on the Assets in excess of \$100,000 or (D) any written proposal from a Third Party to engage in a farmout transaction or establishment of a new unit with respect to the Assets;

(iii) not propose any operation reasonably expected to cost Sellers in excess of \$100,000 (net to the aggregate interest of Sellers in the Assets);

(iv) notify Buyer before such Seller agrees whether to participate in any operation proposed by a Third Party that is reasonably expected to cost Sellers in excess of \$100,000 (net to the aggregate interest of Sellers in the Assets) and not agree to participate or to go nonconsent with respect to such operations without Buyer's prior written consent, not to be unreasonably withheld or delayed; *provided* that Buyer shall give Sellers written notice within five (5) Business Days of receiving written notice from Seller of a proposal for any such operation stating whether Buyer elects to participate or nonconsent to such operation and, if Buyer fails to provide Sellers such written notice within such period, Sellers shall be free to elect to participate or nonconsent to such operation without Buyer's consent;

(v) except in the ordinary course of business, not enter into an Applicable Contract that, if entered into on or prior to the Execution Date, would be required to be listed on Schedule 4.7, or materially amend or change the terms of, or terminate or waive any material right under any Material Contract;

(vi) not transfer, sell, mortgage, pledge or dispose of any portion of the Assets other than (A) the sale or disposal of Hydrocarbons in the ordinary course of business, (B) sales of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment is obtained or (C) items constituting Permitted Encumbrances;

(vii) not voluntarily relinquish its position as operator to anyone other than Buyer with respect to any of the Wells or voluntarily abandon any of the Wells other than as required pursuant to the terms of a Lease or by Law;

(viii) except with respect to matters for which such Seller will have an indemnification obligation to Buyer (including the Retained Obligations) and as set forth on Schedule 4.6, not waive, compromise or settle any material right or claim against any Third Party affecting the Assets in excess of One Hundred Thousand Dollars (\$100,000) net to the interests of Sellers; and

- (ix) not commit to do any of the foregoing in clauses (iii) through (viii).

Buyer acknowledges each Seller owns undivided interests in certain of the properties comprising the Assets, and Buyer agrees that the acts or omissions of the other Working Interest owners or operators (including other Sellers) shall not constitute a breach of the provisions of this Section 6.1, and no action required by a vote of Working Interest owners shall constitute such a breach by a Seller so long as such Seller has voted its interest in a manner that complies with the provisions of this Section 6.1.

6.2 **Successor Operator.** While Buyer acknowledges that it desires to succeed Pioneer as operator of those Assets or portions thereof that Pioneer may presently operate, Buyer acknowledges and agrees that Sellers cannot and do not covenant or warrant that Buyer shall become successor operator of such Assets since the Assets or portions thereof may be subject to operating or other agreements that control the appointment of a successor operator. Sellers agree, however, that as to the Assets that Pioneer operates, Sellers shall use Commercially Reasonable Efforts to support Buyer's efforts to become successor operator of such Assets (to the extent permitted under any applicable joint operating agreement) effective as of Closing (at Buyer's sole cost and expense) and to designate or appoint, to the extent legally possible and permitted under any applicable joint operating agreement, Buyer as successor operator of such Assets effective as of Closing.

6.3 **Asset Credit Support.** Buyer acknowledges that none of the Asset Credit Support, if any, posted by any Seller or its Affiliates with Governmental Authorities or other Persons and relating to the Assets is transferable to Buyer. On or before the Closing Date, Buyer shall obtain, or cause to be obtained in the name of the Buyer, replacements for such Asset Credit Support set forth in Schedule 4.18 to the extent such replacements are necessary (a) for Buyer's ownership, and if applicable, operation, of the Assets and (b) to permit the cancellation of the Asset Credit Support posted by each Seller and their Affiliates with respect to the Assets. In addition, at or prior to Closing, Buyer shall deliver to Sellers evidence of the posting of such Asset Credit Support with all applicable Governmental Authorities or other Persons meeting the requirements of such authorities to own and, where appropriate, operate the Assets.

6.4 **Record Retention.** Buyer shall and shall cause its successors and assigns to, for at least a period of seven (7) years following Closing, *retain the Records, provide each Seller and their Affiliates and each of their officers, employees and representatives with access to the Records (to the extent that each Seller has not retained the original or a copy) during normal business hours for review and copying at the requesting Seller's expense and upon reasonable advance notice, and provide each Seller and their Affiliates and each of their officers, employees and representatives with access, during normal business hours and upon reasonable advance notice, to materials received or produced after Closing relating to any indemnity claim made under Section 13.2 or other claim or dispute under this Agreement for review and copying at the requesting Seller's expense. At the end of such seven (7) year period and prior to destroying any of the Records, Buyer shall provide each Seller upon request an opportunity to copy such Records at such Seller's sole cost and expense.*

6.5 *Access to Information and Use of Information*

(a) From the Execution Date until the Closing Date, Sellers shall, and shall cause their Affiliates to, use commercially reasonable efforts to take such actions within their power and control as are reasonably required to assist Buyer and Buyer Parent in procuring financing for the purchase of the Assets (“**Buyer Parent Financing Efforts**”). Such Buyer Parent Financing Efforts shall include using commercially reasonable efforts to give Buyer, its counsel, financial advisors, auditors and other authorized representatives reasonable access to the Assets (including the Records) to allow Sundance Energy Australia Limited (“**Buyer Parent**”), to the extent necessary under applicable Law and reasonably required to obtain such financing, to complete share placements and a pro rata rights issue, including obtaining necessary shareholder approvals and regulatory approvals and preparing any required public disclosures (“**Buyer Parent Shareholder Materials**”). For purposes of clarity, the Buyer Parent Shareholder Materials or any related approvals are not conditions to this Agreement.

(b) From and after the Closing Date until two-year anniversary of the Closing Date, upon written certification by Buyer that it is required by the United States Securities and Exchange Commission (the “**SEC**”) or the Australian Stock Exchange (“**ASX**”) to provide financial statements solely related to the ownership and operation of the Assets prior to Closing that will be included in an SEC or ASX filing (the “**Buyer Required Financial Statements**”), Sellers shall, and shall cause their Affiliates to, use commercially reasonable efforts to cooperate with Buyer in Buyer’s preparation of such Buyer Required Financial Statements (“**Buyer Financial Statement Efforts**” and together with the Buyer Parent Financing Efforts, the “**Financing Efforts**”).

(c) Notwithstanding anything in Section 6.5(a) or Section 6.5(b) to the contrary, (1) none of Sellers any of their respective Affiliates shall be required to participate in any selling effort, participate in any road show, or incur any Liability or obligation or bear any cost or expense, pay any commitment or other fee or agree to provide any guaranty or indemnity in connection with the Financing Efforts, (2) none of Sellers or any of their Affiliates shall be required to execute or enter into or perform any agreement, document or instrument, deliver any certificate or opinion or take any corporate or other organizational action (including the adoption of any resolutions) to authorize the execution, entering into or performance of any such agreement, document or instrument, in either case, with respect to the Financing Efforts, (3) the Financing Efforts shall not include any actions that would cause any representation, warranty, covenant or other obligation in this Agreement of any Seller to be breached or any condition to the Closing hereunder to fail to be satisfied, (4) the Financing Efforts shall not require the giving of representations or warranties to any third parties by Sellers or the indemnification thereof by Sellers, (5) the Financing Efforts shall not require the waiver or amendment of any terms of this Agreement by Sellers, (6) the Financing Efforts shall not require delivery of accountants’ cold comfort letters, (7) the Financing Efforts shall not require the taking of any action that materially and adversely interferes with Sellers’ operations and/or the Assets or require Sellers to provide any information in a format that is materially different than currently exists and (8) the Financing Efforts shall not require Sellers to provide any data or information that is subject to attorney-client privilege or work product or is subject to a confidentiality obligation with a third party. Without limiting Buyer’s rights to indemnity under Article XIII, in no event will Sellers, or their respective Affiliates, have any Liability or obligation of any kind or nature to Buyer, Buyer Parent or any

other Person arising or resulting from the Financing Efforts (including the use of any information provided in connection therewith), and Buyer shall indemnify and hold harmless the Sellers' Indemnified Parties from and against any and all damages suffered or incurred by any of them in connection with the Financing Efforts (including the use of any information provided in connection therewith). Buyer shall reimburse Sellers and their Affiliates for out of pocket costs and expenses incurred in connection with the Financing Efforts.

(d) Notwithstanding anything to the contrary in this Agreement, the Confidentiality Agreement or in any other agreement among Sellers and Buyer (or its Affiliates), Sellers consent to the use of any materials and/or information (solely to the extent such materials and information pertain to the Assets) provided pursuant to Section 6.5(a) by Buyer and Buyer Parent in the Buyer Parent Shareholder Materials.

6.6 Knowledge of Breach; Right to Cure.

(a) Buyer will make Commercially Reasonable Efforts to notify Sellers promptly and in reasonable detail after Buyer obtains actual knowledge that any representation or warranty of any Seller contained in this Agreement is, becomes or will be untrue in any material respect on or before the Closing Date, but Buyer's failure to provide any such notice shall not constitute a waiver of Buyer's right to indemnify or other remedy for such breach under this Agreement or applicable Laws or otherwise. Buyer and any Affiliate of Buyer shall not have any claim or recourse against a Seller or its respective directors, officers, employees, partners, Affiliates, controlling persons, agents, advisors or representatives with respect to a breach of the representations or warranties of any such Seller contained in Section 4.15 or Section 4.25 (or the corresponding representations and warranties in the Sellers' Certificates) if Buyer or its Affiliate had Knowledge of such breach prior to the execution of this Agreement.

(b) If any of Sellers' or Buyer's representations or warranties is untrue or shall become untrue in any material respect between the Execution Date and the Closing, or if any of Sellers' or Buyer's covenants or agreements to be performed or observed prior to or on the Closing Date shall not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement is cured by the Closing (or, if the Closing does not occur, cured prior to the termination of this Agreement), then such breach shall be considered not to have occurred for all purposes of this Agreement.

6.7 Exclusivity. From the Execution Date until the Closing or the termination of this Agreement in accordance with Section 14.1, each Seller shall not, and shall cause each of its Affiliates and shall direct each of its officers, directors, employees, stockholders, representatives, agents and investment bankers not to, directly or indirectly, discuss, pursue, solicit, initiate, participate in, facilitate, encourage or otherwise enter into any discussions, negotiations, agreements or other arrangements regarding or which could lead to, a possible sale or other disposition of all or any part of the Assets (other than the sale or disposal of Hydrocarbons in the ordinary course of business and the sale of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment is obtained) with any other Person other than the Buyer or its Affiliates (an "**Acquisition Proposal**") or provide any information to any Person in connection with an Acquisition Proposal or a potential Acquisition Proposal other than the Buyer and its Affiliates, representatives, agents and lenders. Each Seller shall, and shall cause

each of their Affiliates, and shall direct each of their officers, directors, employees, representatives, agents and investment bankers to, immediately cease and cause to be terminated any and all contacts, discussions and negotiations with any Person other than the Buyer and its Affiliates and representatives regarding any Acquisition Proposal or potential Acquisition Proposal.

6.8 *Amendment of Schedules.* **Buyer agrees that, with respect to the representations and warranties of Sellers contained in this Agreement and each Seller's indemnity obligations set forth in Section 13.2, each Seller shall have the continuing right until Closing to add, supplement or amend the Schedules to its representations and warranties. For all purposes of this Agreement, including for purposes of determining whether the conditions set forth in Article VII have been fulfilled, the Schedules to each Seller's representations and warranties contained in this Agreement shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any addition, supplement or amendment thereto.**

6.9 *Affiliate Services.* **Pioneer and its Affiliates shall have no obligation to provide any services with respect to the Assets from and after the Closing and, unless otherwise agreed to in writing by Pioneer and Buyer, all contracts between Pioneer and any of its Affiliates with respect to the Assets shall terminate effective as of the Closing Date.**

6.10 *JDA Agreements.* **Effective as of the Closing, pursuant to the Assignment, the Assets shall be released from the JDA Agreements and from all Liabilities arising thereafter and Buyer shall have no rights or obligations under the JDA Agreements; provided, however, that, solely as between the Sellers, nothing in this Agreement, the Transaction Documents or otherwise shall alter, modify, amend or release the Sellers from their respective obligations to each other under the JDA Agreements to the extent attributable to the Assets prior to the Closing. Effective as of Closing, Sellers hereby waive the applicability of any preferential purchase right and maintenance of uniform interest provisions in the JDA Agreements to the extent such provisions are applicable to the transactions contemplated in this Agreement.**

6.11 *Meeks and Wye Ranch Agreements.*

(a) The Parties acknowledge that Pioneer currently holds that certain 5.180 Acre POD Agreement and Easement, effective March 1, 2011, by and between Jack Edward Meeks and Pioneer Natural Resources USA, Inc. and that certain 2.066 Acre POD Agreement, effective July 1, 2012, by and between Wye Ranch, Ltd. and Pioneer Natural Resources USA, Inc. (collectively, the "**Meeks and Wye Ranch Agreements**") for the benefit of the Sellers.

(b) The Parties acknowledge that under the terms of the Meeks and Wye Ranch Agreements, in order to effectuate the assignment of the Meeks and Wye Ranch Agreements from Seller to Buyer, Buyer must meet the insurance and/or bonding requirements set forth respectively in Section 18 of each of the Meeks and Wye Ranch Agreements (the "**Required Insurance**"). Buyer shall use commercially reasonable efforts to obtain by Closing the Required Insurance. As long as Buyer (or its successors or assigns) is required to obtain all or any part of the Required Insurance (or any other insurance or security provided by Buyer in lieu thereof) under the Meeks and Wye Ranch Agreements, Buyer shall, or shall cause, (a) Sellers to be named as additional insureds with respect to such Required Insurance (or other insurance or security), (b) such insurers to waive all rights of subrogation against Sellers and (c) such insurers to provide prior notice of

cancellation of such Required Insurance to Sellers, in each case, in the same manner as set forth in Sections 18.4.1 through 18.4.3 of each of the Meeks and Wye Ranch Agreements.

6.12 **Transition Services.** Buyer and Pioneer each agree to perform and comply with the covenants and agreements set forth on Schedule 6.12.

ARTICLE VII BUYER'S CONDITIONS TO CLOSING

The obligations of Buyer to consummate the transactions provided for herein are subject, at the option of Buyer, to the fulfillment by each Seller or waiver in writing by Buyer, on or prior to Closing of each of the following conditions:

7.1 **Representations and Warranties.** The representations and warranties of each Seller set forth in Article IV *shall be true and correct in all respects (without regard to materiality or Material Adverse Effect qualifiers) on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made or given on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except for all such breaches, if any, of such representations and warranties that individually or in the aggregate would not have a Material Adverse Effect.*

7.2 **Performance.** Each Seller shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by such Seller is required prior to or on the Closing Date.

7.3 **No Injunctions.** *No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions.*

7.4 **Closing Deliverables.** Each Seller shall have delivered (or be ready, willing and able to deliver at Closing) to Buyer and the Enterprise Entities (as applicable) the documents and other items required to be delivered by Seller under Section 9.3 and be closing the transactions contemplated by this Agreement with Buyer simultaneously (or be ready, willing and able to close the transactions contemplated by this Agreement with Buyer simultaneously); provided that the condition in this clause (b) shall be deemed waived if the Closing with any Seller has not occurred (or is not occurring) due to the Willful Breach by Buyer.

7.5 **Enterprise Closing Agreement.** The Enterprise Entities shall have executed and delivered to Buyer the documents, instruments and agreements contemplated to be delivered by the Enterprise Entities to Buyer by Enterprise Closing Agreement, including the New Enterprise Agreements; provided that the condition in this Section 7.5 shall be deemed waived with respect to Buyer if Buyer is not ready, willing and able to deliver to the Enterprise Entities the documents, instruments and agreements contemplated to be delivered by Buyer to the Enterprise Entities under the Enterprise Closing Agreement at Closing.

For the avoidance of doubt, Buyer's or Buyer Parent's ability to obtain financing or any board or stockholder approval shall not be a condition precedent to Buyer's obligation to consummate the Closing.

ARTICLE VIII SELLERS' CONDITIONS TO CLOSING

The obligations of each Seller to consummate the transactions provided for herein are subject, at the option of such Seller, to the fulfillment by Buyer or waiver in writing by such Seller on or prior to Closing of each of the following conditions:

8.1 ***Representations and Warranties.*** The representations and warranties of Buyer set forth in ***Article V shall be true and correct in all respects (without regard to materiality or material adverse effect qualifiers) on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made or given on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except for all such breaches, if any, of such representations and warranties that do not have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby.***

8.2 ***Performance.*** Buyer shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Buyer is required prior to or at the Closing Date.

8.3 ***No Injunctions.*** *No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions.*

8.4 ***Closing Deliverables.*** Buyer shall *have delivered (or be ready, willing and able to deliver at Closing) to Sellers and the Enterprise Entities (as applicable) the documents and other items required to be delivered by Buyer under Section 9.3 and be closing the transactions contemplated by this Agreement simultaneously with each other Seller (or be ready, willing and able to close the transactions contemplated by this Agreement simultaneously with each other Seller); provided that the condition in this clause (b) shall be deemed waived with respect to a Seller (the "First Seller") if the Closing with such Seller or any other Seller has not occurred (or is not occurring) due to the Willful Breach by the First Seller.*

8.5 ***Enterprise Closing Agreement.*** The Enterprise Entities shall have executed and delivered (or be ready, willing and able to deliver at Closing) to such Seller the documents, instruments and agreements contemplated to be delivered by the Enterprise Entities to Seller by the Enterprise Closing Agreement, including such Seller's Amended Enterprise Agreements; provided that the condition in this Section 8.5 shall be deemed waived with respect to a Seller if such Seller is not ready, willing and able to deliver to the Enterprise Entities the documents, instruments and agreements contemplated to be delivered by such Seller to the Enterprise Entities under the Enterprise Closing Agreement at Closing.

ARTICLE IX CLOSING

9.1 ***Date of Closing.*** Subject to the conditions stated in this Agreement, the sale by Sellers and the purchase by Buyer of the Assets pursuant to this Agreement (the “***Closing***”) ***shall occur on the day that is the earlier of (i) ten (10) Australian Business Days following the day on which Buyer pays the full Second Deposit to Sellers or (ii) 29 Australian Business Days after the date on which the Execution Date occurs (each as calculated in accordance with Section 1.2) (the “Target Closing Date”); provided that, if all conditions in Article VII and Article VIII to be satisfied at or prior to Closing have not yet been satisfied or waived in writing by the Target Closing Date, then the Closing shall occur within five (5) Business Days after such conditions have been satisfied or waived (other than those conditions that by their nature can only be satisfied at the Closing but subject to all conditions in Article VII and Article VIII having been satisfied or waived at the Closing), subject to the rights of the Parties under Article XIV. The date on which the Closing actually occurs shall be the “Closing Date.”***

9.2 ***Place of Closing.*** The Closing shall be held at the office of Vinson & Elkins L.L.P., 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201, or such other place as mutually agreed upon by the Parties.

9.3 ***Closing Obligations.*** At Closing, the following documents shall be delivered and the following events shall occur, the execution of each document and the occurrence of each event being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

(a) Each Seller and Buyer shall execute, acknowledge and deliver the Assignment in sufficient counterparts to facilitate recording in the applicable counties covering the Assets.

(b) Each Seller and Buyer shall execute and deliver assignments, in appropriate forms, of federal Leases and state Leases included in the Assets (if any) in sufficient counterparts to facilitate filing with the applicable Governmental Authority.

(c) Each Seller and Buyer shall execute and deliver the Preliminary Settlement Statement.

(d) Buyer shall deliver to (i) Pioneer, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in immediately available funds, an amount equal to the Pioneer Adjusted Purchase Price less (to the extent previously funded by Buyer) Pioneer’s Seller Share of the Initial Deposit and Second Deposit, (ii) Reliance, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in immediately available funds, an amount equal to the Reliance Adjusted Purchase Price less (to the extent previously funded by Buyer) Reliance’s Seller Share of the Initial Deposit and Second Deposit and (iii) Newpek, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in immediately available funds, an amount equal to the Newpek Adjusted Purchase Price less (to the extent previously funded by Buyer) Newpek’s Seller Share of the Initial Deposit and Second Deposit.

(e) Each Seller shall deliver, on forms reasonably acceptable to Buyer, transfer orders or letters in lieu thereof directing all purchasers of production to make payment to Buyer of proceeds attributable to production from the Assets from and after the Effective Time, for delivery by Buyer to the purchasers of production.

(f) Each Seller shall deliver an executed certificate of non-foreign status that meets the requirements set forth in Treasury Regulation § 1.1445-2(b)(2).

(g) To the extent required under any Law or by any Governmental Authority for any federal or state Lease, Pioneer and Buyer shall deliver state change of operator forms designating Buyer as the operator of the Units, Wells, Other Wells and the Leases currently operated by Pioneer.

(h) An authorized officer of each Seller shall execute and deliver a certificate, dated as of the Closing Date, certifying that, with respect to such Seller, the conditions set forth in Section 7.1 and Section 7.2 have been fulfilled and, if applicable, any exceptions to such conditions that have been waived by Buyer (each, a “***Seller’s Certificate***” and collectively, the “***Sellers’ Certificates***”).

(i) An authorized officer of Buyer shall execute and deliver a certificate, dated as of the Closing Date, certifying that the conditions set forth in Section 8.1 and Section 8.2 have been fulfilled and, if applicable, any exceptions to such conditions that have been waived by Sellers (the “***Buyer’s Certificate***”).

(j) Buyer shall deliver evidence of the posting of Asset Credit Support with all applicable Governmental Authorities or other Persons as required by Section 6.3.

(k) Each Seller shall deliver releases in form reasonably satisfactory to Buyer of all Encumbrances on the Assets securing such Seller’s Indebtedness.

(l) Each Seller and Buyer shall execute and deliver any other agreements, instruments and documents which are required by other terms of this Agreement to be executed or delivered at Closing.

(m) Each Seller and Buyer shall execute and deliver the Transaction Support Agreement attached hereto as Exhibit I (the “***Transaction Support Agreement***”).

(n) Buyer shall deliver to each Seller the Security Instruments (as defined in the Transaction Support Agreement) and the Buyer Parent Guaranty (as defined in the Transaction Support Agreement) required by the Transaction Support Agreement to be delivered to such Seller at Closing.

(o) Each Seller shall deliver to Buyer and the Enterprise Entities its respective Seller Guaranty (as defined in the Transaction Support Agreement).

(p) Each Seller and Buyer shall execute and deliver to the Enterprise Entities and each other Party, all documents, instruments and agreements contemplated to be delivered by such Person under the Enterprise Closing Agreement at or concurrently with the Closing.

(q) Buyer shall deliver to each Seller a Buyer PSA Guaranty.

(r) Buyer shall provide to Seller evidence that it has obtained the Required Insurance contemplated by Section 6.11.

9.4 **Records.** Fifteen (15) days following Closing, each Seller will deliver to Buyer electronic copies of all Records maintained by such Seller or its Affiliates in electronic form. No later than thirty (30) days after the Closing Date, each Seller shall make available to Buyer the other Records in its possession in their current form and format as maintained by such Seller as of the *Effective Time, for pickup from such Seller's offices during normal business hours; provided that each Seller may retain written or electronic copies of such Records. Copying and transportation of the Records will be at Buyer's sole cost.*

ARTICLE X ACCESS; DISCLAIMERS

10.1 **Access.** Prior to the Execution Date, Buyer evaluated the merits and risks of the Assets, its acquisition, ownership and operation thereof, and its obligations hereunder pursuant to the terms of that certain Access and Exclusivity Agreement, dated November 7, 2017, by and between Sellers and Buyer *(as amended, the "Access Agreement"), and satisfied itself through the representations, warranties and covenants set forth herein and its own diligence pursuant to the access provided by Sellers under the Access Agreement as to the title, environmental and physical condition of and contractual arrangements and other matters affecting the Assets. Nothing in the preceding sentence shall be construed to negate the representations, warranties and covenants of Sellers contained in this Agreement or shall limit Buyer's continuing access to the Assets until the Closing, which shall continue in the same manner as provided in the Access Agreement.*

10.2 **Confidentiality.** If the Closing should occur, the Confidentiality Agreement shall terminate, except as to (a) such portion of the Assets that are not conveyed to Buyer pursuant to the provisions of this Agreement, (b) the Excluded Assets and (c) information related to the assets other than the Assets. *Buyer further agrees that, notwithstanding termination of the Confidentiality Agreement, if Closing does not occur, then Buyer shall continue to maintain as confidential under the Confidentiality Agreement and shall not disclose to any Third Party the results of any Phase I or any other environmental assessment performed on the Assets except as required by Law.*

10.3 **Disclaimers.**

(a) **EXCEPT AS AND TO THE LIMITED EXTENT EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE IV, SECTION 11.1(b) OR THE SELLERS' CERTIFICATES AND EXCEPT FOR THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, (I) NO SELLER MAKES ANY REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, (II) EACH SELLER EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR, AND (III) BUYER IS NOT RELYING UPON, ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO BUYER OR ANY OF ITS AFFILIATES, EMPLOYEES, AGENTS, CONSULTANTS OR REPRESENTATIVES (INCLUDING, ANY OPINION,**

INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO BUYER BY ANY AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF ANY SELLER OR ANY OF ITS AFFILIATES). BUYER ACKNOWLEDGES AND AGREES THAT NONE OF THE SELLERS' INDEMNIFIED PARTIES SHALL HAVE ANY LIABILITY OR RESPONSIBILITY FOR FAILING OR OMITTING TO DISCLOSE ANY CONDITION, AGREEMENT, DOCUMENT, DATA, INFORMATION OR OTHER MATERIALS RELATING TO THE ASSETS THAT IS NOT EXPRESSLY COVERED BY THE REPRESENTATIONS AND WARRANTIES IN THIS AGREEMENT.

(b) EXCEPT AS AND TO THE LIMITED EXTENT EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE IV, SECTION 11.1(b) OR THE SELLERS' CERTIFICATES, EXCEPT FOR THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, AND WITHOUT LIMITING THE GENERALITY OF SECTION 10.3(a), EACH SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL, GEOPHYSICAL OR SEISMIC DATA OR INTERPRETATION OR ANALYSIS RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES TO BE GENERATED BY THE ASSETS, (V) THE PRODUCTION OF OR ABILITY TO PRODUCE HYDROCARBONS FROM THE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY ANY SELLER OR THIRD PARTIES WITH RESPECT TO THE ASSETS (INCLUDING THE ACCURACY OR COMPLETENESS THEREOF), (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO BUYER OR ITS AFFILIATES, OR ITS OR THEIR RESPECTIVE EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT (INCLUDING THE ACCURACY OR COMPLETENESS THEREOF) OR ANY DISCUSSION OR PRESENTATION RELATING THERETO (INCLUDING THE ACCURACY OR COMPLETENESS THEREOF) AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT. EXCEPT AS AND TO THE LIMITED EXTENT EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE IV, SECTION 11.1(b) OR THE SELLERS' CERTIFICATES, EXCEPT FOR THE SPECIAL WARRANTY OF TITLE IN THE ASSIGNMENT, BUYER ACKNOWLEDGES AND AGREES THAT (X) NONE OF THE SELLERS' INDEMNIFIED PARTIES ARE MAKING (AND NONE OF THE SELLERS' INDEMNIFIED PARTIES SHALL HAVE ANY LIABILITY OR RESPONSIBILITY FOR) AND (Y) NO BUYER INDEMNIFIED PARTY IS RELYING UPON ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM LATENT VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY OF THE ASSETS, RIGHTS OF A

PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT BUYER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, “AS IS” AND “WHERE IS” WITH ALL FAULTS OR DEFECTS (KNOWN OR UNKNOWN, LATENT, DISCOVERABLE OR UNDISCOVERABLE), AND THAT AT CLOSING BUYER WILL HAVE MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYER DEEMS APPROPRIATE.

(c) OTHER THAN AS AND TO THE LIMITED EXTENT EXPRESSLY REPRESENTED OTHERWISE IN SECTION 4.15, BUYER ACKNOWLEDGES AND AGREES THAT (I) NONE OF THE SELLERS’ INDEMNIFIED PARTIES ARE MAKING (AND NONE OF THE SELLERS’ INDEMNIFIED PARTIES SHALL HAVE ANY LIABILITY OR RESPONSIBILITY FOR) AND (II) NO BUYER INDEMNIFIED PARTY IS RELYING UPON ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND, BUYER SHALL BE DEEMED TO BE TAKING THE ASSETS “AS IS” AND “WHERE IS” WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT AT CLOSING BUYER WILL HAVE MADE OR CAUSED TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS BUYER DEEMS APPROPRIATE.

(d) SELLERS AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION 10.3 ARE “CONSPICUOUS” DISCLAIMERS FOR THE PURPOSE OF ANY LAW.

ARTICLE XI TITLE MATTERS; CASUALTY; TRANSFER RESTRICTIONS

11.1 *Sellers’ Title.*

(a) General Disclaimer of Title Warranties and Representations. Except for the Special Warranty of Title as set forth in Section 11.1(b) and in the Assignment, Sellers make no warranty or representation, express, implied, statutory or otherwise with respect to Sellers’ title to any of the Assets, and Buyer hereby acknowledges and agrees that Buyer’s sole remedy for any defect of title with respect to any of the Assets, shall be pursuant to the Special Warranty of Title of each Seller set forth in Section 11.1(b) and in the Assignment.

(b) Special Warranty of Title. If Closing occurs, then effective as of the Closing Date until the expiration of the SWT Survival Period, each Seller warrants Defensible Title to the Wells and Leases unto Buyer against every Person whomsoever lawfully claims the same or any part thereof by, through or under such Seller and its Affiliates, but not otherwise, subject, however,

to the Permitted Encumbrances and any breaches of such warranty of which Buyer had Knowledge prior to the execution and delivery of this Agreement (the “**Special Warranty of Title**”). The Assignment will contain the Special Warranty of Title that will be subject to this Section 11.1.

(c) Recovery on Special Warranty of Title.

(i) After the Closing, Buyer shall furnish the applicable Seller a written notice setting forth any matters which Buyer intends to assert as a breach of such Seller’s Special Warranty of Title set forth in Section 11.1(b) or the Assignment. Pursuant to notice delivered to Buyer no later than ten (10) days following delivery of such notice, each Seller shall have a reasonable opportunity, but not the obligation, for a period not to exceed ninety (90) days following delivery of the notice, to cure any breach of the Special Warranty of Title asserted by Buyer pursuant to this Section 11.1(c)(i); failure to deliver such notice within such period shall be deemed an election by such Seller not to attempt to effect such cure.

(ii) Recovery on a Seller’s Special Warranty of Title set forth in Section 11.1(b) or in the Assignment shall not exceed the Allocated Value of the affected Asset and the amount of such recovery shall be determined by taking into account the Allocated Value of the affected Asset, the portion of the affected Asset affected by the defect of title, the legal effect of the defect of title, the potential economic effect of the defect of title over the life of the affected Asset, the values placed upon the defect of title by Buyer and Sellers and such other reasonable factors as are necessary to make a proper evaluation. For purposes of this Section 11.1(c)(ii), the Allocated Value of CGP 11 will be the amount shown on Exhibit D. For the avoidance of doubt, Buyer’s recovery for a breach of the Special Warranty of Title set forth in Section 11.1(b) or in the Assignment shall not be duplicative.

11.2 **Casualty Loss.**

(a) Notwithstanding anything herein to the contrary, from and after the Effective Time, if Closing occurs, Buyer shall assume all risk of loss with respect to production of Hydrocarbons through normal depletion (including watering out of any well, collapsed casing or sand infiltration of any well) and the depreciation of Personal Property due to ordinary wear and tear, in each case, with respect to the Assets, and Buyer shall not assert, and shall not be entitled to assert, such matters as Casualty Losses or breaches of this Agreement.

(b) If, after the Execution Date but prior to the Closing Date, any Asset is damaged or destroyed by fire or other casualty (except to the extent Buyer has an indemnification obligation to Sellers for such damage, destruction or casualty under the terms of the Access Agreement) or is taken in condemnation or under right of eminent domain (each a “**Casualty Loss**”), Buyer shall nevertheless be required to close. Furthermore:

(i) If the reasonable estimated losses to the Assets as a result of all Casualty Losses that occur between the Execution Date and the Closing is less than \$250,000 then at Closing (x) Buyer shall assume all risk and loss associated with such Casualty Losses as an Assumed Obligation (and Sellers and their Affiliates shall have no Liability for such Casualty Losses), (y) the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price shall not be adjusted as a result of such Casualty Losses and (z) Sellers shall pay to Buyer

all sums paid to Sellers by Third Parties by reason of any Casualty Losses insofar as with respect to the Assets and shall assign, transfer and set over to Buyer or subrogate Buyer to all of Sellers' right, title and interest (if any) in insurance claims, unpaid awards and other rights, in each case, against Third Parties arising out of such Casualty Losses insofar as with respect to the Assets.

(ii) If the reasonable estimated losses to the Assets as a result of all Casualty Losses that occur between the Execution Date and the Closing equals or exceeds \$250,000, then at or prior to Closing, Sellers shall elect to either restore the Asset(s) affected by such Casualty Loss to substantially their condition as of the Execution Date as promptly as practicable prior to or immediately following the Closing, or replace the affected Assets if they cannot reasonably be restored, or adjust the Pioneer Purchase Price, the Reliance Purchase Price and/or the Newpek Purchase Price, as applicable, downward by the amount of the reasonable estimated cost to restore (or, if necessary, replace) the affected Pioneer Assets, Reliance Assets and/or Newpek Assets, as applicable. If the Sellers fail to elect in writing one of the remedies set forth in Section 11.2(b)(ii)(x) through (y) above prior to Closing with respect to any Casualty Loss, then the Sellers shall be deemed to have elected the remedy in Section 11.2(b)(ii)(y). If this Section 11.2(b)(ii) is applicable, Sellers shall retain all sums paid by Third Parties by reason of such Casualty Losses and all rights in and to any insurance claims, unpaid awards and other rights, in each case, against Third Parties arising out of such Casualty Losses. Further, if Section 11.2(b)(ii)(x) is applicable, Buyer agrees to reasonably cooperate with Sellers, including by giving Sellers reasonable access to the affected Assets to the extent necessary or convenient to facilitate Sellers' efforts to restore such affected Assets, without unreasonable interference with Buyer's properties or operations and at Sellers' sole cost and risk.

(c) If Section 11.2(b)(ii)(x) is applicable, the Sellers shall use Commercially Reasonable Efforts to cure the applicable Casualty Losses, shall do so without unreasonably interfering with or damaging Buyer's or any Third Party operator's operations on the affected Assets, and shall coordinate their access rights and any invasive work with Buyer and any Third Party operator to minimize inconvenience to or interruption of the conduct of business by the Buyer or such Third Party operators or any damage to the Buyer's or Third Party operator's operations or properties to the extent practicable. Additionally, Buyer shall have the right to split, at its option and expense, any samples collected from the Assets by the Sellers. The Sellers shall give Buyer and any Third Party operator reasonable prior written notice before gaining physical access to any of the Assets, and Buyer or its designee shall have the right, but not the obligation, to accompany the Sellers and the Sellers' representatives whenever the Sellers or the Sellers' representatives gain physical access to any Assets. The Sellers shall abide by Buyer's or any Third Party operator's posted safety rules, regulations and operating policies provided to Sellers in writing while conducting its cure work on the Assets. The Sellers shall promptly provide Buyer (but in any case no later than the end of the restoration work) copies of all reports, results and other documentation and data prepared or compiled by the Sellers and/or any of their representatives or agents in connection with the restoration work. The Sellers shall hold all information or data obtained by the Sellers as part of the cure work confidential, except to the extent disclosure is required by Law or a Governmental Authority, and shall not use any of the same except in connection with the transactions set forth in this Agreement. Buyer shall provide the Sellers and their representatives access to the Assets, including the Records, and shall use Commercially Reasonable Efforts to obtain consent from any Third Party operator of the Assets for Sellers' access to the Assets, after the Closing Date in connection with the Seller's efforts to restore any

Casualty Loss. To the extent the Sellers exercise their restoration rights under the preceding paragraph, any such access and efforts to restore any such Casualty Loss shall be at the Sellers' sole cost, risk, and expense, and each Seller shall indemnify, defend, and hold harmless the Buyer Indemnified Parties to the extent of such Seller's Seller Share from and against any costs, obligations, losses, Liabilities, or damages arising from or relating to such access or such restoration efforts, EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY INDEMNIFIED PERSON, AND WHETHER OR NOT CAUSED BY A PRE-EXISTING CONDITION, BUT EXCLUDING THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PERSON.

11.3 **Consents to Assign.** With respect to each Consent set forth on Schedule 4.4, each Seller, prior to Closing, shall use Commercially Reasonable Efforts to send to the holder of each such Consent a notice in compliance with the contractual provisions applicable to such Consent seeking such holder's consent to the transactions contemplated hereby.

(a) If a Seller fails to obtain a Consent set forth on Schedule 4.4 covering its interest in the Assets prior to Closing and (i) such consent expressly states that it may be withheld in the sole and/or absolute discretion of the holder or is subject to payment of a stipulated amount that Sellers are not willing to pay, or (ii) the failure to obtain such Consent would cause the assignment to Buyer of the Assets (or portion thereof affected thereby) to be void or voidable or would cause the termination of, or give the holder of such Consent the right to terminate, a Lease or Contract under the express terms thereof (a consent satisfying clauses (i) or (ii), a "**Hard Consent**"), then (1) the Asset (or portion thereof) affected by such Hard Consent shall not be conveyed at the Closing, (2) the Pioneer Purchase Price, the Reliance Purchase Price and/or the Newpek Purchase Price, as applicable, shall be reduced by the Allocated Value (or portion thereof) of such Pioneer Asset, Reliance Asset and/or Newpek Asset, as applicable, excluded from the Assets conveyed at Closing, and (3) such Seller and Buyer shall use Commercially Reasonable Efforts to obtain the Hard Consent applicable to the transfer of such Pioneer Asset, Reliance Asset and/or Newpek Asset, as applicable, following the Closing; *provided, however*, that no Party shall be required to incur any Liability or pay any money or provide other consideration to any holder of any such Hard Consent in order to obtain such Hard Consent. In the event that a Hard Consent (with respect to an Asset excluded pursuant to this Section 11.3(a)) that was not obtained prior to Closing is obtained within one hundred twenty (120) days following Closing, then, within ten (10) Business Days after such Hard Consent is obtained (x) Buyer shall purchase the Asset (or portion thereof) and any associated Assets that were so excluded as a result of such previously un-obtained Hard Consent and pay to the applicable Seller the amount by which the Purchase Price was reduced at Closing with respect to the Asset (or portion thereof) and any associated Assets so excluded (as such amount is appropriately adjusted in accordance with the other terms of this Agreement) and (y) such Seller shall assign to Buyer the Assets (or portion thereof) and any associated Assets so excluded at Closing pursuant to an instrument in substantially the same form as the Assignment.

(b) If a Seller fails to obtain a Consent set forth on Schedule 4.4 covering its interest in the Assets prior to Closing that is not a Hard Consent, then the Asset (or portion thereof) subject to such un-obtained Consent shall nevertheless be assigned by each Seller to Buyer at Closing as part of the Pioneer Assets, Reliance Assets and/or Newpek Assets, as

applicable, and Buyer shall have no claim against, and such Seller shall have no Liability to Buyer for, the failure to obtain such Consent.

(c) Prior to Closing, each Seller and Buyer shall use their Commercially Reasonable Efforts to obtain all Consents listed on Schedule 4.4; *provided, however*, that no Party shall be required to incur any Liability, pay any money or provide any other consideration to the holders of any Consent in order to obtain any such Consent. Subject to the foregoing, Buyer agrees to provide each Seller with any information or documentation in Buyer's possession (that is not privileged or subject to confidentiality restrictions) that may be reasonably requested by such Seller or the Third Party holder(s) of such Consents in order to facilitate the process of obtaining such Consents.

ARTICLE XII ENVIRONMENTAL MATTERS

12.1 ***NORM, Asbestos, Wastes and Other Substances.*** Buyer acknowledges that (a) the Assets have been used for exploration, development and production of oil and gas and that there may be petroleum, produced water, wastes or other substances or materials located in, on or under the Assets or associated with the Assets; (b) equipment and sites included in the Assets may contain asbestos, NORM or other Hazardous Substances; (c) NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms; (d) the wells, materials and equipment located on the Assets or included in the Assets may contain NORM, asbestos and other wastes or Hazardous Substances; (e) NORM containing material and other wastes or Hazardous Substances may have come in contact with various environmental media, including, water, soils or sediment; and (f) special procedures may be required for the assessment, remediation, removal, transportation, or disposal of environmental media, wastes, asbestos, NORM and other Hazardous Substances from the Assets. ***Nothing in this Section shall be construed to negate the representations and warranties contained in Section 4.15 or the indemnity obligations of Sellers with respect to environmental matters included in Retained Obligations.***

ARTICLE XIII ASSUMPTION; INDEMNIFICATION; SURVIVAL

13.1 ***Assumed Obligations; Retained Obligations.***

(a) Without limiting Buyer's rights to indemnity under this Article XIII, from and after Closing, Buyer assumes and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid and discharged) all obligations and Liabilities, known or unknown, arising from, based upon, related to or associated with the Assets, regardless of whether such obligations or Liabilities arose prior to, on or after the Effective Time, including obligations and Liabilities relating in any manner to the use, ownership or operation of the Assets, including obligations and Liabilities (i) to furnish makeup gas and settle Imbalances according to the terms of applicable gas sales, processing, gathering or transportation Contracts, (ii) to pay Working Interests, Burdens and other interest owners' revenues or proceeds attributable to sales of Hydrocarbons for which Buyer received revenues or proceeds, including those held in suspense (including those amounts for which the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price were adjusted pursuant to Section 3.2(b)(iv)), (iii) to pay the applicable

Governmental Authority any amounts subject to escheat obligations pursuant to applicable Law, (iv) to Decommission the Assets, (v) to clean up and Remediate the Assets in accordance with Applicable Contracts and Laws, (vi) to perform all obligations applicable to or imposed on the lessee, owner or operator under the Leases and the Applicable Contracts, or as required by Laws, (vii) to pay all Property Expenses, (viii) under the New Enterprise Agreements, and (ix) of Reliance and Newpek arising out of or in connection with the operation of the Assets by a Person other than Pioneer unless such Parties would be liable for such liabilities as a Retained Obligation (all of said obligations and Liabilities being referred to as the “**Assumed Obligations**”); *provided* that Buyer does not assume any obligations and Liabilities to the extent that they are attributable to or arise out of the ownership, use or operation of any of (x) such Seller’s Excluded Assets or (y) the Retained Obligations (A) described in Sections 13.1(b)(i) through and including Section 13.1(b)(v) for the applicable 12-month, 18-month and three-year periods described in Section 13.8(c) or (B) described in Sections 13.1(b)(vi) through and including Section 13.1(b)(xiii).

(b) The following obligations and Liabilities of a Seller related to, in the case of Pioneer, the Pioneer Assets, in the case of Reliance, the Reliance Assets and, in the case of Newpek, the Newpek Assets, are herein referred to as such Seller’s “**Retained Obligations**”:

(i) except as set forth in the Access Agreement, obligations and Liabilities arising out of or related to personal injury or wrongful death resulting from events occurring prior to the Closing and during such Seller’s or any of its Affiliates’ ownership or operation of its Assets;

(ii) any Liabilities arising from any off-site disposal of Hazardous Substances by any Seller or any of its Affiliates prior to the Effective Time and during such Seller’s or such Affiliate’s ownership or operation of its Assets;

(iii) all Liabilities of any Seller or any of its Affiliates for the failure (directly or indirectly) to pay or timely pay or account for proceeds relating to Hydrocarbon sales attributable to the Wells (including in compliance with the Leases and Law) for all periods prior to and through the Effective Time, including royalties or Burdens attributable to such sales relating thereto and claims alleging undervaluation or underpayment thereof or wrongdoing, fault or strict liability relating thereto and including any liability arising out or related to the letter described in paragraph 4 of Schedule 4.6 to the extent attributable to the ownership or operation of the Assets for the period prior to and through the Effective Time;

(iv) all fines and penalties imposed by any Governmental Authority arising out of such Seller’s or any of its Affiliates’ ownership or operation of the Assets prior to the Closing Date;

(v) all Property Expenses attributable to ownership or operation of the Assets for the period of time prior to the Effective Time;

(vi) all losses, claims, Liabilities, demands, costs and expenses arising out of, incident to or in connection with such Seller’s failure to pay or incorrect payment of its Seller Taxes;

(vii) all liabilities and obligations attributable to or arising out of its Excluded Assets, including those arising out of the Enterprise Agreements (except to the extent expressly provided in the New Enterprise Agreements);

(viii) all liabilities and obligations attributable to or arising out of any Hedge Contract put in place by such Seller prior to Closing;

(ix) the payment of settlement amounts specified in the settlement agreements referenced in paragraphs 1 and 2 of Schedule 4.6 and the performance of any other obligations necessary to consummate the settlements described in such paragraphs. ;

(x) all obligations of such Seller created, issued, or incurred for borrowed money (whether by loan or by the issuance and sale of debt securities), and all obligations of such Seller evidenced by a note, bond, debenture, or similar instrument (collectively “**Indebtedness**”);

(xi) all intercompany notes and accounts payable by such Seller to any of its Affiliates;

(xii) all Liabilities arising under the JDA Agreements (other than Liabilities for costs and expenses attributable to the Assets that are allocated to the Sellers as working interest owners under the COPAS exhibit to the Sellers JOA under Section 2.3); and

(xiii) all Liabilities and other matters related to such Seller’s or its Affiliate’s employee benefit plans and other employee and consultant matters (other than Liabilities for direct costs and expenses attributable to the Assets that are allocated to the Sellers as working interest owners under the COPAS exhibit to the Sellers JOA and allocable to Buyer as Property Expenses under Section 2.3).

13.2 ***Indemnities of each Seller.*** Effective as of Closing, subject to the limitations set forth in Section 13.4 and Section 13.8 or otherwise in this Agreement, each Seller, shall severally (and not jointly) be responsible for, shall pay on a current basis and hereby agrees to defend, indemnify, hold harmless and forever release Buyer and its Affiliates, and all of its and their respective equity holders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, the “**Buyer Indemnified Parties**”) from and against any and all Liabilities suffered or incurred by any Buyer Indemnified Party, whether or not relating to Third Party Claims or incurred in the defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder, arising from, based upon, related to or associated with:

(a) any breach by such Seller of any of its representations or warranties contained in Article IV and/or its Seller’s Certificate;

(b) any breach by such Seller of any of its covenants or agreements under this Agreement; or

(c) any of such Seller’s Retained Obligations.

13.3 ***Indemnities of Buyer. Effective as of Closing, and except to the extent of Sellers' indemnification obligations under Section 13.2(c), Buyer and its successors and assigns shall assume and be responsible for, shall pay on a current basis, and hereby agrees to defend, indemnify, hold harmless and forever release each Seller and its Seller Indemnified Parties from and against any and all Liabilities suffered or incurred by any such Seller Indemnified Party, whether or not relating to Third Party Claims or incurred in the defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder, arising from, based upon, related to or associated with:***

- (a) any breach by Buyer of any of its representations or warranties contained in Article V and/or the Buyer's Certificate;
- (b) any breach by Buyer of any of its covenants or agreements under this Agreement;
- (c) any of the Assumed Obligations; or
- (d) with respect to Pioneer and its Seller Indemnified Parties, the provision of the Services in accordance with the provisions of Schedule 6.12.

13.4 ***Limitation on Liability.***

(a) A Seller shall not have any Liability for any indemnification under Section 13.2(a) for any individual Liability unless the indemnification amount owed by such Seller with respect to such Liability exceeds \$100,000 (the "***De Minimis Threshold***"); provided that if a fact or circumstance giving rise to a Liability affects the interests of more than one Seller in the Assets, then the indemnification amounts for all such Liabilities shall be aggregated for purposes of satisfying the De Minimis Threshold. Furthermore, a Seller shall not have any Liability for any indemnification under Section 13.2(a) until and unless the aggregate amount of all Liabilities for which Claim Notices for such matters are delivered by Buyer against such Seller that exceed the De Minimis Threshold exceeds such Seller's Indemnity Deductible, after which point such Seller shall only be liable for such indemnification to the extent such Liabilities exceed such Seller's Indemnity Deductible. Notwithstanding anything in this Section 13.4(a) to the contrary, the limitations on a Seller's Liability in this Section 13.4(a) shall not apply to (x) such Seller's Liability for breaches of such Seller's Fundamental Representations, the representations and warranties in Section 4.13 and the corresponding representations and warranties in its Seller's Certificate, (y) such Seller's Liability for breaches of any covenant (including Liability under Section 15.2 or for any payments to be made by such Seller under Section 3.4 and Section 3.5) and (z) such Seller's Liability under Section 13.2(c) for its Retained Obligations.

(b) Notwithstanding anything to the contrary contained in this Agreement, a Seller shall not be required to indemnify Buyer under Section 13.2(a) for aggregate Liabilities in excess of fifteen percent (15%) of, in the case of Pioneer, the Pioneer Purchase Price, in the case of Reliance, the Reliance Purchase Price and, in the case of Newpek, the Newpek Purchase Price; provided that (i) such Seller's Liability for breaches of such Seller's Fundamental Representations, the representations and warranties in Section 4.13 and the corresponding representations and warranties in its Seller's Certificate, (ii) such Seller's Liability for breaches of any covenant

(including Liability under Section 15.2 or for any payments to be made by such Seller under Section 3.4 and Section 3.5) and (iii) such Seller's Liability under Section 13.2(c) for its Retained Obligations, in each case, shall not be limited by this Section 13.4(b).

(c) Notwithstanding anything to the contrary contained in this Agreement, a Seller's aggregate Liabilities under this Agreement or otherwise shall not exceed, in the case of Pioneer, the Pioneer Purchase Price, in the case of Reliance, the Reliance Purchase Price and, in the case of Newpek, the Newpek Purchase Price.

(d) The obligations set forth in Section 13.2 and Section 13.3 shall not apply to (i) any amount that was taken into account as an adjustment to the Purchase Price pursuant to the provisions hereof, (ii) except as otherwise provided in this Agreement, any Party's costs and expenses with respect to the negotiation and consummation of this Agreement and the purchase and sale of the Assets and (iii) any amount that would result in a double recovery (whether as a result of the adjustments to the Purchase Price or otherwise).

(e) Each Party shall have a duty to use Commercially Reasonable Efforts to mitigate any claim that such Party has or may bring for indemnification in connection with this Agreement or the transactions contemplated hereby.

13.5 Express Negligence. THE DEFENSE, INDEMNIFICATION, HOLD HARMLESS, RELEASE AND ASSUMED OBLIGATIONS PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES IN QUESTION AROSE OR RESULTED SOLELY OR IN PART FROM THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PARTY EXCEPT TO THE EXTENT SUCH LIABILITIES AROSE FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTY AS ESTABLISHED BY A FINAL NONAPPEALABLE JUDICIAL DECISION. **BUYER AND SELLERS ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS "CONSPICUOUS."**

13.6 Exclusive Remedy. Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that, from and after Closing, Section 11.1(b), this Article XIII, the Access Agreement, and the Assignment contain the Parties' exclusive remedies against each other with respect to the transactions contemplated hereby (whether in contract, tort or otherwise), including breaches of the representations, warranties, covenants and agreements of the Parties contained in this Agreement or in any document or certificate delivered pursuant to this Agreement provided that, nothing herein shall be deemed a waiver of any Party's right to seek injunctive relief or to compel specific performance of any covenant or obligation of the other Parties. Except as specified in Section 11.1(b), this Article XIII, the Access Agreement, and the Special Warranty of Title in the Assignment, effective as of Closing, Buyer, on its own behalf and on behalf of the Buyer Indemnified Parties, hereby releases, remises and forever discharges all of the Sellers' Indemnified Parties from any and all suits, legal or administrative proceedings, Liabilities or interest whatsoever, whether in contract, tort or otherwise, known or unknown, which Buyer or the Buyer Indemnified Parties might now or subsequently have, based on, relating to or arising out of this Agreement, the transactions contemplated by this Agreement, the ownership, use or

operation of any of the Assets prior to, on or after Closing or the condition, quality, status or nature of any of the Assets prior to, on or after Closing, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, any similar Environmental Laws, breaches of statutory or implied warranties, nuisance or other tort actions, rights to punitive damages, common law rights of contribution and rights under insurance maintained by Sellers or any of their Affiliates.

13.7 **Indemnification Procedures.** All claims for indemnification under Section 13.2 and Section 13.3 shall be asserted and resolved as follows:

(a) *In General.* For purposes of Article XIII, the term “**Indemnifying Party**” when used in connection with particular Liabilities shall mean the Party having an obligation to indemnify any Sellers’ Indemnified Party or Buyer Indemnified Party, as applicable, with respect to such Liabilities pursuant this Article XIII, and the term “**Indemnified Party**” when used in connection with particular Liabilities shall mean the Sellers’ Indemnified Party or Buyer Indemnified Party, as applicable, having the right to be indemnified with respect to such Liabilities by Buyer or a Seller, as applicable, pursuant to this Article XIII.

(b) *Claims Procedure.* To make claim for indemnification under Section 13.2 or Section 13.3, an Indemnified Party shall notify the Indemnifying Party of its claim under this Section 13.7, including the specific details of and specific basis under this Agreement for its claim (the “**Claim Notice**”). In the event that the claim for indemnification is based upon a claim by a Third Party against the Indemnified Party (a “**Third Party Claim**”), the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of the Third Party Claim and shall enclose a copy of all papers (if any) served with respect to the Third Party Claim; provided that the failure of any Indemnified Party to give notice of a Third Party Claim as provided in this Section 13.7(b) shall not relieve the Indemnifying Party of its obligations under Section 13.2 or Section 13.3 (as applicable) except to the extent such failure results in insufficient time being available to permit the Indemnifying Party to effectively defend against the Third Party Claim or otherwise materially prejudices the Indemnifying Party’s ability to defend against the Third Party Claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Indemnified Party shall provide its Claim Notice as promptly as practicable after the Indemnified Party has actual knowledge of such inaccuracy or breach and shall specify the representation, warranty, covenant or agreement that was inaccurate or breached, but the failure or delay of any Indemnified Party in giving such notice shall not relieve the Indemnifying Party of its obligations under this Agreement to provide indemnity or other response as provided in this Agreement except to the extent such failure materially prejudices the Indemnifying Party’s ability to provide such indemnity or other response.

(c) *Third Party Claims.*

(i) In the case of a claim for indemnification based upon a Third Party Claim, the Indemnifying Party shall have thirty (30) days from its receipt of the Claim Notice relating thereto to notify the Indemnified Party whether it admits or denies its Liability to defend the Indemnified Party against such Third Party Claim at the sole cost and expense of the Indemnifying Party. The Indemnified Party is authorized, prior to and during such thirty (30) day period (or, if earlier, until the Indemnifying Party admits its Liability to defend the Indemnified

Party against such Third Party Claim) to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and that is not prejudicial to the Indemnifying Party.

(ii) If the Indemnifying Party admits its Liability to defend the Indemnified Party against a Third Party Claim, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Indemnified Party against such Third Party Claim, and shall have full control of such defense and proceedings, including any compromise or settlement thereof. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate in contesting any Third Party Claim which the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, at its own expense, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 13.7(c)(ii). An Indemnifying Party shall not, without the written consent of the Indemnified Party (such consent not to be unreasonably withheld, conditioned or delayed), (i) settle any Third Party Claim or consent to the entry of any judgment with respect thereto which does not include an unconditional written release of the Indemnified Party from all Liability in respect of such Third Party Claim or (ii) settle any Third Party Claim or consent to the entry of any judgment with respect thereto in any manner that may materially and adversely affect the Indemnified Party (other than as a result of money damages covered by the indemnity hereunder).

(iii) If the Indemnifying Party does not admit its Liability against a Third Party Claim or admits its Liability to defend the Indemnified Party against a Third Party Claim, but fails to diligently prosecute, indemnify against or settle the Third Party Claim, then the Indemnified Party shall have the right to defend against and settle the Third Party Claim at the sole cost and expense of the Indemnifying Party (if the Indemnifying Party is determined to have indemnification Liability with respect to such matter), with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its Liability and assume the defense of the Third Party Claim at any time prior to settlement or final determination thereof. If the Indemnifying Party has not yet admitted its Liability to defend the Indemnified Party against a Third Party Claim, the Indemnified Party shall send written notice to the Indemnifying Party of any proposed settlement and the Indemnifying Party shall have the option for ten (10) days following receipt of such notice to (1) admit in writing its Liability to indemnify the Indemnified Party from and against the Liability and if Liability is so admitted, either (A) consent to such settlement or (B) reject, in its reasonable judgment, the proposed settlement, or (2) deny Liability. Any failure by the Indemnifying Party to respond to such notice shall be deemed to be an election under Section 13.7(c)(iii)(2) above.

(d) *Direct Claims.* In the case of a claim for indemnification not based upon a Third Party Claim, the Indemnifying Party shall have thirty (30) days from its receipt of the Claim Notice to (i) cure the Liabilities complained of, (ii) admit its Liability for such Liability or (iii) dispute the claim for such Liabilities. If the Indemnifying Party does not notify the Indemnified Party within such thirty (30) day period that it has cured the Liabilities or that it disputes the claim for such Liabilities or the amount of such Liabilities, the Indemnifying Party shall conclusively be deemed to have denied Liability with respect to such matter. If the Indemnifying Party does not admit or otherwise does deny its Liability against a claim for indemnification not based upon a Third Party Claim within the 30-day time period set forth in this Section 13.7(d), then the Indemnified Party shall (x) diligently and in good faith pursue its rights and remedies under this

Agreement with respect to such claim for indemnification or (y) provide the Indemnifying Party with prompt written waiver of such indemnification claim.

13.8 *Survival.*

(a) *Sellers' Representations and Warranties.*

(i) Except as set forth in Section 13.8(a)(ii) or Section 13.8(c), each Seller's representations and warranties in Article IV, the corresponding representations and warranties in its Seller's Certificate and the corresponding indemnity obligations of such Seller under Section 13.2(a) with respect to all such representations and warranties, shall expire and terminate at 5:00 p.m. Central Time on the date that is twelve (12) months after the Closing Date.

(ii) Each of such Seller's Fundamental Representations, the corresponding representations and warranties in its Seller's Certificate and the corresponding indemnity obligations of each Seller under Section 13.2(a) with respect to such Seller's Fundamental Representations, shall survive without limit.

(b) *Sellers' Covenants.* Each of the covenants and performance obligations of a Seller set forth in this Agreement that are to be complied with or performed by such Seller at or prior to Closing (other than Section 15.2) and the corresponding indemnity obligations of such Seller under Section 13.2(b) with respect to such covenants and obligations, shall expire and terminate at 5:00 p.m. Central Time on the date that is twelve (12) months after the Closing Date. All other covenants and performance obligations of such Seller set forth in this Agreement and the corresponding indemnity obligations of such Seller under Section 13.2(b) with respect to such covenants and obligations shall survive the Closing and remain in full force and effect until fully performed.

(c) *Sellers' Retained Obligations.* The Retained Obligations listed in Sections 13.1(b)(i), (b)(ii) and (b)(iv) and the corresponding indemnity obligations of each Seller under Section 13.2(c) with respect to such Retained Obligations shall expire and terminate at 5:00 p.m. Central Time on the date that is eighteen (18) months after the Closing Date. The Retained Obligation listed in Section 13.1(b)(iii) and the corresponding indemnity obligations of each Seller under Section 13.2(c) with respect to such Retained Obligation shall expire and terminate at 5:00 p.m. Central Time on the date that is three (3) years after the Closing Date. The Retained Obligation listed in Section 13.1(b)(v) and the corresponding indemnity obligations of each Seller under Section 13.2(c) with respect to such Retained Obligation shall expire and terminate at 5:00 p.m. Central Time on the date that is twelve (12) months after the Closing Date. The Retained Obligations listed in Section 13.1(b)(vi) through and including Section (b)(xiii) and the corresponding indemnity obligations of each Seller under Section 13.2(c) shall survive without limit.

(d) *Buyer's Representations, Warranties, Covenants and Other Indemnities.* Except for Buyer's Fundamental Representations, which shall survive the Closing without limit, Buyer's representations and warranties in Article IV, the corresponding representations and warranties in its Buyer's Certificate and the corresponding indemnity obligations of Buyer under Section 13.3(a) with respect to all such representations and warranties, shall expire and terminate

at 5:00 p.m. Central Time on the date that is twelve (12) months after the Closing Date. The covenants and performance obligations of Buyer in this Agreement that are to be complied with or performed by Buyer at or prior to Closing, and the corresponding indemnity obligations of Buyer under Section 13.3(b) with respect to such covenants and obligations, shall expire and terminate at 5:00 p.m. Central Time on the date that is twelve (12) months after the Closing Date. All other covenants of Buyer and other indemnities set forth in Section 13.3 shall survive the Closing and remain in full force and effect indefinitely.

(e) *Survival After Claim.* Notwithstanding Section 13.8(a), Section 13.8(b), Section 13.8(c), and Section 13.8(d), if a Claim Notice has been properly delivered under Section 13.7(b) before the date any representation, warranty, covenant, indemnity or performance obligation would otherwise expire under such Sections alleging a right to indemnification or defense for Liabilities arising out of, relating to or attributable to the breach of such representation, warranty, covenant, indemnity or performance obligation, such representation, warranty, covenant, indemnity or performance obligation shall continue to survive until the claims asserted in such Claim Notice that are based on the breach of such representation, warranty, covenant, indemnity or performance obligation have been fully and finally resolved under Section 13.7.

(f) *Remainder of the Agreement.* Subject to Sections 13.8(a), (b), (c), (d) and (e), the remainder of this Agreement shall survive without time limit.

13.9 ***Waiver of Right to Rescission.*** Sellers and Buyer acknowledge that, following Closing, the payment of money, as limited by the terms of this Agreement, shall be adequate compensation for breach of any representation, warranty, covenant or agreement contained herein or for any other claim arising in connection with or with respect to the transactions contemplated by this Agreement. As the payment of money shall be adequate compensation, following Closing, Buyer and Sellers waive any right to rescind this Agreement or any of the transactions contemplated hereby.

13.10 ***Insurance, Taxes.*** The amount of any Liabilities for which any of the Buyer Indemnified Parties is entitled to indemnification under this Agreement or in connection with or with respect to the transactions contemplated by this Agreement shall be reduced by any corresponding (a) Tax benefit to a Buyer Indemnified Party created or generated by the incurrence of the Liability or (b) insurance proceeds from insurance policies carried by a Buyer Indemnified Party realized or that could reasonably be expected to be realized by such Buyer Indemnified Party if a claim were properly pursued under the relevant insurance arrangements.

13.11 ***NON-COMPENSATORY DAMAGES.*** NONE OF THE BUYER INDEMNIFIED PARTIES NOR THE SELLERS' INDEMNIFIED PARTIES SHALL BE ENTITLED TO RECOVER FROM ANY SELLER OR BUYER, AS APPLICABLE, OR THEIR RESPECTIVE AFFILIATES, ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, REMOTE OR SPECULATIVE DAMAGES ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE SELLERS' CERTIFICATES, THE BUYER'S CERTIFICATE OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, EXCEPT TO THE EXTENT ANY SUCH PARTY SUFFERS SUCH DAMAGES TO A THIRD PARTY, WHICH DAMAGES (INCLUDING COSTS OF DEFENSE AND REASONABLE ATTORNEYS' FEES INCURRED IN CONNECTION WITH DEFENDING

AGAINST SUCH DAMAGES) SHALL NOT BE EXCLUDED BY THIS PROVISION AS TO RECOVERY HEREUNDER. SUBJECT TO THE PRECEDING SENTENCE, BUYER, ON BEHALF OF EACH OF THE BUYER INDEMNIFIED PARTIES, AND EACH SELLER, ON BEHALF OF EACH OF ITS SELLER INDEMNIFIED PARTIES, EACH WAIVES ANY RIGHT TO RECOVER ANY SPECIAL, INDIRECT, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, REMOTE OR SPECULATIVE DAMAGES ARISING IN CONNECTION WITH OR WITH RESPECT TO THIS AGREEMENT, THE SELLERS' CERTIFICATES, THE BUYER'S CERTIFICATE OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. THIS SECTION 13.11 SHALL NOT RESTRICT ANY PARTY'S RIGHT TO SEEK SPECIFIC PERFORMANCE OR ANY INJUNCTION IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS AGREEMENT.

13.12 ***Disclaimer of Application of Anti-Indemnity Statutes.*** The Parties acknowledge and agree that the provisions of any anti-indemnity statute relating to oilfield services and associated activities shall not be applicable to this Agreement, the Sellers' Certificates, the Buyer's Certificate or the transactions contemplated hereby or thereby.

13.13 ***Treatment of Payments.*** Any payments made to any Buyer Indemnified Party or Sellers' Indemnified Party, as the case may be, pursuant to Article III, this Article XIII or Section 15.2 shall constitute an adjustment to the Purchase Price for Tax purposes and shall be treated as such by Buyer and Sellers on their Tax Returns to the extent permitted by Law.

13.14 ***No Materiality Qualifier.*** Notwithstanding anything in this Agreement to the contrary, the Liabilities for which any Party is obligated to indemnify or entitled to indemnity under Sections 13.2(a) or 13.3(a) shall be determined and calculated by excluding and without giving effect to any qualifiers as to materiality or Material Adverse Effect set forth in any representation or warranty.

ARTICLE XIV TERMINATION; DEFAULT AND REMEDIES

14.1 ***Right of Termination.*** This Agreement and the transactions contemplated herein may be terminated at any time prior to Closing (by written notice from the terminating Party to the other Parties):

(a) by any Seller, at such Seller's option, if any of the conditions for the benefit of such Seller set forth in Article VIII have not been satisfied on or at any time after the Target Closing Date (or, with respect to those conditions that can only be satisfied at the Closing, are not capable of being satisfied by Buyer on or at any time after the Target Closing Date) and, following written notice thereof from such Seller to Buyer and the other Sellers specifying the reason such condition is unsatisfied (including any breach by Buyer of this Agreement), such condition remains unsatisfied for a period of ten (10) Business Days after Buyer's receipt of written notice thereof from such Seller;

(b) by Buyer, at Buyer's option, if any of the conditions set forth in Article VII have not been satisfied on or at any time after the Target Closing Date (or, with respect to those conditions that can only be satisfied at the Closing, are not capable of being satisfied by the

applicable Seller on or at any time after the Target Closing Date) and, following written notice thereof from Buyer to Sellers specifying the reason such condition is unsatisfied (including any breach by any Seller of this Agreement), such condition remains unsatisfied for a period of ten (10) Business Days after Sellers' receipt of written notice thereof from Buyer;

(c) by any Seller or Buyer if Closing shall not have occurred on or before the date that is five (5) days after the Target Closing Date (the "***Outside Date***");

(d) by any Seller or Buyer if consummation of the transactions contemplated hereby is enjoined, restrained or otherwise prohibited or otherwise made illegal by the terms of a final, non-appealable order;

(e) by any Seller or Buyer if Buyer has not paid to Sellers the full Initial Deposit by the Initial Deposit Deadline as provided in Section 3.1(d) or if Buyer has not paid to Sellers the full Second Deposit by the Second Deposit Deadline as provided in Section 3.1(e); or

(f) by the mutual prior written consent of Sellers and Buyer.

provided, however, that no Party shall have the right to terminate this Agreement pursuant to Section 14.1(a), Section 14.1(b), or Section 14.1(c) if such Party is a Breaching Party at the time this Agreement would otherwise be terminated by such Breaching Party. Notwithstanding anything to the contrary in the foregoing proviso, any Seller may, even if it is a Breaching Party, terminate this Agreement prior to Closing at any time following the 120th day after the Outside Date unless, prior to such Seller so terminating this Agreement, Buyer has commenced appropriate proceedings to enforce its rights of specific performance hereunder and, thereafter, use Commercially Reasonable Efforts to prosecute such proceeding or proceedings(s). Any such termination by a Seller pursuant to the preceding sentence shall be without prejudice to Buyer's and the other Sellers' rights and remedies under Section 14.2.

14.2 ***Effect of Termination; Other Remedies.***

(a) If this Agreement is terminated pursuant to any provision of Section 14.1, then this Agreement shall forthwith become void, and the Parties shall have no Liability or obligation hereunder; provided that the provisions of Section 10.2, Section 13.11, this Section 14.2, Section 14.3, Article I and Article XV (other than Section 15.2(b) through Section 15.2(g), Section 15.7, and Section 15.8, which shall terminate) and such of the defined terms set forth in Annex I to give context to such Sections (the "***Surviving Provisions***") shall, in each case, survive such termination. Upon the termination of this Agreement, Sellers shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the same to any Person without any restriction under this Agreement. For clarity, if this Agreement is terminated as to or by any Seller it shall be terminated as to (or by) all Sellers, but without prejudicing the rights of the Parties with respect to such termination as provided in this Agreement.

(b) If this Agreement is terminated pursuant to Section 14.1(a) or 14.1(c) solely because of a Willful Breach that causes Buyer to be a Breaching Party, then as each Seller's sole remedy hereunder, it shall be entitled to retain its Seller Share of the Initial Deposit and Second Deposit as liquidated damages for Buyer's breach. The Parties agree that the foregoing liquidated

damages are reasonable considering all of the circumstances existing as of the Execution Date, shall not serve as a penalty and constitute the Parties' good faith estimate of the actual damages reasonably expected to result from such termination of this Agreement by Sellers. For clarity, if Buyer is a Breaching Party as to one Seller at the time this Agreement is terminated pursuant to Section 14.1, then Buyer shall be a Breaching Party as to all Sellers as of such time.

(c) If this Agreement is terminated pursuant to Section 14.1(e) because Buyer has not paid the full Second Deposit to Sellers as provided in Section 3.1(e), and if at the time of such termination no Seller is a Breaching Party, then as each Seller's sole remedy hereunder, it shall be entitled to retain its Seller Share of the Initial Deposit as liquidated damages for Buyer's failure to pay the full Second Deposit. The Parties agree that the foregoing liquidated damages are reasonable considering all of the circumstances existing as of the Execution Date, shall not serve as a penalty and constitute the Parties' good faith estimate of the actual damages reasonably expected to result from such termination of this Agreement by any Party.

(d) If this Agreement is terminated pursuant to Section 14.1(b) or 14.1(c) solely because of a Willful Breach that causes a Seller to be a Breaching Party, then Buyer and the other Sellers shall be entitled to seek their actual, direct damages for such Seller's Willful Breach. For clarity, nothing in this Section 14.2(d) shall be a limit on Buyer's ability to pursue specific performance of this Agreement in accordance with Section 14.2(g) prior to the termination of this Agreement.

(e) In the event that this Agreement is terminated pursuant to Section 14.1 and Sellers are not entitled to retain the Initial Deposit and Second Deposit under Section 14.2(b) or Section 14.2(c), then each Seller shall promptly return to Buyer such Seller's Seller Share of the Initial Deposit and Second Deposit, as applicable, without interest.

(f) Nothing herein shall be construed to prohibit Buyer from first seeking specific performance in lieu of termination of this Agreement in accordance with Section 14.2(g), and thereafter terminating this Agreement and seeking the return of the Initial Deposit and Second Deposit and actual, direct damages in accordance with this Section 14.2.

(g) Subject to the following sentence, each Party acknowledges that the remedies at Law of each Seller and Buyer for a breach or threatened breach of this Agreement by any other Party may be inadequate and, in recognition of this fact, each Party, without posting any bond or the necessity of proving the inadequacy as a remedy of monetary damages, and in addition to all other remedies that may be available, shall, prior to the termination of this Agreement, be entitled to seek equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy that may then be available. Notwithstanding anything in this Agreement to the contrary, Sellers shall not be entitled to seek specific performance of Buyer's obligation to consummate the transactions contemplated by this Agreement (it being understood that if Buyer fails for any reason to consummate the transaction contemplated by this Agreement, then the Sellers' sole remedy for such failure shall be the retention of the Initial Deposit and Second Deposit in accordance with Section 14.2(b) or Section 14.2(c), if applicable).

(h) If a Party resorts to legal proceedings to enforce this Agreement, the prevailing Party in such proceedings shall be entitled to recover all costs incurred by such Party from the Party that is in breach or default, including reasonable attorneys' fees, in addition to any other relief to which such Party may be entitled.

14.3 ***Return of Documentation and Confidentiality.*** Upon termination of this Agreement, Buyer shall return to each such Seller all original (and destroy all copies of) title, engineering, geological and geophysical data, environmental assessments and reports, maps and other information furnished by such Seller to Buyer or prepared by or on behalf of Buyer in connection with its due diligence investigation of the Assets, in each case in accordance with the Confidentiality Agreement, and an officer of Buyer shall certify same to such Seller in writing, provided, that Buyer may retain all such information to the extent necessary (and solely to the extent necessary) to pursue its legal remedies against Sellers for breach of this Agreement by Sellers.

ARTICLE XV MISCELLANEOUS

15.1 ***Appendices, Exhibits and Schedules.*** All of the Annexes, Exhibits and Schedules referred to in this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement. Each Party to this Agreement and its counsel has received a complete set of Annexes, Exhibits and Schedules prior to and as of the execution of this Agreement.

15.2 Expenses and Taxes.

(a) Except as otherwise specifically provided, all fees, costs and expenses incurred by Buyer or any Seller in negotiating this Agreement and the Transaction Documents or in consummating the transactions contemplated by this Agreement shall be paid by the Party incurring the same, including, legal and accounting fees, costs and expenses.

(b) Each Seller shall be allocated and bear its respective share of the Asset Taxes attributable to (i) any Tax period ending prior to the Effective Time and (ii) the portion of any Straddle Period ending immediately prior to the date on which the Effective Time occurs. Buyer shall be allocated and bear all Asset Taxes attributable to (A) any Tax period or portion thereof beginning on or after the Effective Time and (B) the portion of any Straddle Period beginning on the date on which the Effective Time occurs.

(c) For purposes of determining the allocations described in Section 15.2(b), Asset Taxes that are attributable to the severance or production of Hydrocarbons shall be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred, Asset Taxes that are based upon or related to income or receipts or imposed on a transactional basis (other than such Asset Taxes described in clause (i)), shall be allocated to the period in which the transaction giving rise to such Asset Taxes occurred, and Asset Taxes that are ad valorem, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated between the portion of such Straddle Period ending immediately prior to the date on which the Effective Time occurs and the portion of such Straddle Period beginning on

the date on which the Effective Time occurs by prorating each such Asset Tax based on the number of days in the applicable Straddle Period that occur before the date on which the Effective Time occurs, on the one hand, and the number of days in such Straddle Period that occur on or after the date on which the Effective Time occurs, on the other hand. For purposes of clause (iii) of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to Liability for the particular Asset Tax and shall end on the day before the next such date.

(d) To the extent the actual amount of an Asset Tax is not determinable at the Closing or at the time of the determination of the Final Settlement Statement pursuant to Section 3.4, as applicable, (i) the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment, and (ii) upon the later determination of the actual amount of such Asset Tax, timely payments will be made from one Party to the other to the extent necessary to cause each Party to bear the amount of such Asset Tax that is allocable to such Party under this Section 15.2.

(e) Buyer shall be responsible for payment to the applicable Taxing Authorities of all Asset Taxes that become due and payable on or after the Closing Date, and Buyer shall indemnify and hold Sellers harmless for any failure to make such payments.

(f) All required documentary, filing and recording fees and expenses in connection with the filing and recording of the assignments, conveyances or other instruments required to convey title to the Assets to Buyer shall be borne by Buyer. Any and all sales, use, transfer, stamp, documentary, registration or similar Taxes incurred or imposed with respect to the transactions described in this Agreement (collectively, “**Transfer Taxes**”) shall be borne by Buyer.

(g) The Parties shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax returns and any audit, litigation or other proceeding with respect to Taxes relating to the Assets. Such cooperation shall include the retention and (upon another Party’s request) the provision of records and information that are relevant to any such Tax return or audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Parties agree to retain all books and records with respect to Tax matters pertinent to the Assets relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the respective taxable periods and to abide by all record retention agreements entered into with any Governmental Authority.

15.3 Assignment. This Agreement may not be assigned by any Party without prior written consent of the other Parties; provided that Buyer may assign this Agreement to an Affiliate without Sellers’ prior written consent as long as (i) such assignment is made at least five (5) Business Days prior to the Target Closing Date, (ii) Buyer notifies Sellers in writing of such assignment prior to making such assignment and (iii) such assignment will not materially impede or delay Closing. Notwithstanding the prior sentence, no assignment shall relieve the assigning Party of any obligations and responsibilities hereunder, including obligations and responsibilities arising following such assignment. Any assignment or other transfer by Buyer or its successors and assigns of any of the Assets shall not relieve Buyer or its successors or assigns of any of their obligations (including indemnity obligations) hereunder, as to the Assets so assigned or

transferred. Upon any permitted assignment, the references in this Agreement to the Sellers or the Buyer shall also apply to any such assignee unless the context requires otherwise.

15.4 **Preparation of Agreement.** Each Seller and Buyer and their respective counsel participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption shall arise based on the identity of the draftsman of this Agreement.

15.5 **Publicity.** *Except as required by Law or any nationally recognized securities exchange, and except as otherwise provided in Section 6.5(d), no Party shall issue or make any press release or other public or private announcement prior to or in connection with Closing concerning this Agreement (or otherwise disclose the terms of this Agreement) without the prior written consent of the other Parties, which consent shall not be unreasonably withheld. At least twenty-four (24) hours prior to issuing or making any press release or other public or private announcement prior to or in connection with Closing concerning this Agreement (or otherwise disclosing the terms of this Agreement), in each case, in accordance with this Section 15.5, the disclosing Party shall provide each other Party with such release, announcement or disclosure and shall incorporate any reasonable comments requested by any other Party into such release, announcement or disclosure. Notwithstanding anything herein to the contrary, except as required by Law or any nationally recognized securities exchange, neither Buyer nor any Seller shall disclose the name of the other Parties (or the names of any of such other Party's Affiliates) in any public release or announcement without the prior written consent of the other Parties (which consent may be withheld for any reason).*

15.6 **Notices.** All notices and communications required or permitted to be given hereunder shall be in writing and shall be delivered personally, or sent by overnight courier or mailed by United States Mail with all postage fully prepaid, or sent by facsimile or electronic mail ("*email*") *transmission (provided that a receipt of such email is requested and received), addressed to the appropriate Party at the address for such Party shown below or at such other address as such Party shall have theretofore designated by written notice delivered to the Party giving such notice:*

If to Pioneer:

Pioneer Natural Resources USA, Inc.
5205 North O'Connor Blvd., Suite 200
Irving, Texas 75039
Attention: General Counsel
Fax: (972) 969-3577
Email: mark.kleinman@pxd.com

With a copy to its counsel:

Vinson and Elkins, LLP
2001 Ross Ave., Suite 3700
Dallas, Texas 75201
Attention: John Grand
Fax: (214) 999-7866
Email: jgrand@velaw.com

If to Reliance:

Reliance Eagleford Upstream Holding LP
2000 W. Sam Houston Parkway South, Suite 700
Houston, TX 77042
Attention: General Counsel
Fax: (713) 430-8727
Email: masoud.javadi@ril.com

With a copy to its counsel:

Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, Texas 77010
Attention: Austin Elam
Fax: (713) 236-5430
Email: austin.elam@haynesboone.com

If to Newpek:

Newpek, LLC
3221 North O'Connor Blvd., Suite 830
Irving, TX 75039
Attention: Rodolfo Gamboa
Fax: (972) 556-3628
Email: rgamboa@alfa.com.mx

With a copy to its counsel:

King & Spalding LLP
1100 Louisiana, Suite 4000
Houston, Texas 77002
Attention: Archie Fallon
Fax: (713) 751-3290
Email: afallon@kslaw.com

If to Buyer:

Sundance Energy, Inc.
633 17th Street, Suite 1950
Denver, Colorado 80202
Attention: Eric McCrady, CEO
Fax: (303) 543-5701
Email: emccrady@sundanceenergy.net

With a copy to its counsel:

Boigon Law Ltd.
633 17th Street, Suite 1950
Denver, Colorado 80202
Attention: Howard Boigon
Email: Howard@boigonlaw.com

Any notice given in accordance herewith shall be deemed to have been given only when delivered to the addressee in person, or by courier, or transmitted by facsimile or email transmission during normal business hours on a Business Day (or if delivered or transmitted after normal business hours on a Business Day or on a day other than a Business Day, then on the next Business Day), or upon actual receipt by the addressee during normal business hours on a Business Day after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be (or if delivered after normal business hours on a Business Day or on a day other than a Business Day, then on the next Business Day). The Parties may change the address and the email address to which such communications are to be addressed by giving written notice to the other Parties in the manner provided in this Section 15.6.

15.7 Further Cooperation. *Subject to the terms and conditions of this Agreement, at any time or from time to time after the Closing, at any Party's request and without further consideration, the other Parties shall take such other actions as such requesting Party may reasonably request, at such requesting Party's expense, in order to effectuate the transactions contemplated by this Agreement.*

15.8 Filings, Notices and Certain Governmental Approvals. *Promptly after Closing, Buyer shall (a) record all assignments executed at Closing in the records of the applicable Governmental Authority, (b) if applicable, send notices to vendors supplying goods and services for the Assets and to the operator of such Assets of the assignment of such Assets to Buyer, (c) actively pursue the approval of all applicable Governmental Authorities of the assignment of the Assets to Buyer and (d) actively pursue all other consents and approvals customarily obtained by buyers after closing that may be required in connection with the assignment of the Assets to Buyer and the assumption of the Liabilities assumed by Buyer hereunder, in each case, that shall not have been obtained prior to Closing. Buyer obligates itself to take any and all action required by any Governmental Authority in order to obtain such unconditional approval, including the posting of any and all bonds or other security that may be required in excess of its existing lease, pipeline or area-wide bond.*

15.9 Entire Agreement; Conflicts. THIS AGREEMENT, THE ANNEXES, EXHIBITS AND SCHEDULES HERETO, THE CONFIDENTIALITY AGREEMENT, THE ACCESS AGREEMENT AND THE TRANSACTION DOCUMENTS COLLECTIVELY CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE PARTIES PERTAINING TO THE SUBJECT MATTER HEREOF AND SUPERSEDE ALL PRIOR AGREEMENTS, UNDERSTANDINGS, NEGOTIATIONS AND DISCUSSIONS, WHETHER ORAL OR WRITTEN, OF THE PARTIES PERTAINING TO THE SUBJECT MATTER HEREOF. THERE ARE NO WARRANTIES, REPRESENTATIONS OR OTHER AGREEMENTS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER HEREOF EXCEPT AS SPECIFICALLY SET FORTH IN THIS

AGREEMENT, THE SELLERS' CERTIFICATES OR THE BUYER'S CERTIFICATE, AND NEITHER SELLERS NOR BUYER SHALL BE BOUND BY OR LIABLE FOR ANY ALLEGED REPRESENTATION, PROMISE, INDUCEMENT OR STATEMENTS OF INTENTION NOT SO SET FORTH. IN THE EVENT OF A CONFLICT BETWEEN THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY SCHEDULE OR EXHIBIT HERETO, THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL GOVERN AND CONTROL; PROVIDED, HOWEVER, THAT THE INCLUSION IN ANY OF THE SCHEDULES AND EXHIBITS HERETO OF TERMS AND PROVISIONS NOT ADDRESSED IN THIS AGREEMENT SHALL NOT BE DEEMED A CONFLICT, AND ALL SUCH ADDITIONAL PROVISIONS SHALL BE GIVEN FULL FORCE AND EFFECT, SUBJECT TO THE PROVISIONS OF THIS SECTION 15.9.

15.10 ***Parties in Interest.*** The terms and provisions of this Agreement shall be binding upon and inure to the benefit of Sellers and Buyer and their respective successors and permitted assigns. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, express or implied, is intended to confer on any Person other than the Parties or their successors and permitted assigns, or the Parties' respective related Indemnified Parties hereunder any rights, remedies, obligations or Liabilities under or by reason of this Agreement; provided that only a Party and its successors and assigns will have the right to enforce the provisions of this Agreement on its own behalf or on behalf of any of its related Indemnified Parties (but shall not be obligated to do so).

15.11 ***Amendment.*** This Agreement may be amended only by an instrument in writing executed by both Parties.

15.12 ***Waiver; Rights Cumulative.*** Any of the terms, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by or on behalf of the Party waiving compliance. No course of dealing on the part of any Seller or Buyer or their respective officers, employees, agents or representatives and no failure by any Seller or Buyer to exercise any of its rights under this Agreement shall, in each case, operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party of any condition, or any breach of any term, covenant, representation or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation or warranty. The rights of each Seller and Buyer under this Agreement shall be cumulative, and the exercise or partial exercise of any such right shall not preclude the exercise of any other right.

15.13 ***Governing Law; Jurisdiction.***

(a) This Agreement and any claim, controversy or dispute arising under or related to this Agreement or the transactions contemplated hereby or the rights, duties and relationship of the parties hereto and thereto, shall be governed by and construed and enforced in accordance with the Laws of the State of Texas, excluding any conflicts of Law, rule or principle that might refer construction of provisions to the Laws of another jurisdiction.

(b) The Parties agree that the appropriate, exclusive and convenient forum for any disputes between any of the Parties arising out of or relating to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby shall be in any state or federal court in Dallas, Texas and each of the Parties irrevocably submits to the jurisdiction of such courts solely in respect of any proceeding arising out of or related to this Agreement. The Parties acknowledge that the state or federal courts in Dallas, Texas are convenient and appropriate for any disputes arising out of or relating to this Agreement, the Transaction Documents, or the transactions contemplated thereby. The Parties further agree that the Parties shall not bring suit with respect to any disputes arising out of this Agreement, the Transaction Documents or the transactions contemplated hereby in any court or jurisdiction other than the above specified courts. Buyer agrees that, notwithstanding anything to the contrary herein, in the event of any litigation brought by or against one or more of the Sellers arising out of or relating to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby, it shall not be entitled to discover from Sellers any documents, testimony, or otherwise (“**Information**”) that, but for the fact that Sellers shared the Information between or among one or more of them, would be entitled to the protections of the attorney-client privilege.

(c) To the extent that any Party or any of its Affiliates has acquired, or hereafter may acquire, any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party (on its own behalf and on behalf of its Affiliates) hereby irrevocably (i) waives such immunity in respect of its obligations with respect to this Agreement and (ii) submits to the personal jurisdiction of any court described in Section 15.13(b).

(d) THE PARTIES AGREE THAT THEY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

15.14 **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

15.15 **Removal of Name.** As promptly as practicable, but in any case within thirty (30) days after the Closing Date, Buyer shall, at its sole cost and expense, eliminate the name “Pioneer Natural Resources USA, Inc.,” “*Pioneer Natural Resources Company*,” “*Pioneer*,” “*Reliance Eagleford Upstream Holding LP*,” “*Reliance*,” “*Newpek, LLC*,” and “*Newpek*” and any variants thereof from the Assets and, except with respect to such grace period for eliminating existing usage, shall have no right to use any logos, trademarks or trade names belonging to any Seller or any of its Affiliates.

15.16 **Counterparts.** This Agreement may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. Any signature hereto delivered by a Party by facsimile or other electronic transmission shall be deemed an original signature hereto.

15.17 **[Reserved]**

15.18 **Like-Kind Exchange.** Buyer and Sellers agree that any Seller or Buyer may elect to treat the acquisition or sale of the Assets as an exchange of like-kind property under Section 1031 of the Code (an “*Exchange*”), *provided that the Closing shall not be delayed by reason of the Exchange. Each Party agrees to use Commercially Reasonable Efforts to cooperate with the other Parties in the completion of such an Exchange including an Exchange subject to the procedures outlined in Treasury Regulation § 1.1031(k)-1 and/or Internal Revenue Service Revenue Procedure 2000-37. Each Seller and Buyer shall have the right at any time prior to Closing to assign all or a part of its rights under this Agreement to a qualified intermediary (as that term is defined in Treasury Regulation § 1.1031(k)-1(g)(4)(iii)) or an exchange accommodation titleholder (as that term is defined in Internal Revenue Service Revenue Procedure 2000-37) to effect an Exchange. In connection with any such Exchange, any exchange accommodation titleholder shall have taken all steps necessary to own the Assets under applicable Law. Each Party acknowledges and agrees that neither an assignment of a Party’s rights under this Agreement nor any other actions taken by a Party or any other Person in connection with the Exchange shall release any Party from, or modify, any of its liabilities and obligations (including indemnity obligations to the other Parties) under this Agreement, and no Party makes any representations as to any particular Tax treatment that may be afforded to any other Parties by reason of such assignment or any other actions taken in connection with the Exchange. No Party electing to treat the acquisition or sale of the Assets as an Exchange shall be obligated to pay all additional costs incurred hereunder as a result of the Exchange, and in consideration for the cooperation of the other Parties, the Party electing Exchange treatment shall agree to pay all costs associated with the Exchange and to indemnify and hold the other Parties, their Affiliates, and their respective former, current and future partners, members, shareholders, owners, officers, directors, managers, employees, agents and representatives harmless from and against any and all liabilities and Taxes arising out of, based upon, attributable to or resulting from the Exchange or transactions or actions taken in connection with the Exchange that would not have been incurred by the other Parties but for the electing Party’s Exchange election.*

15.19 **Several Liability.** Buyer acknowledges and agrees that (a) the representations, warranties, covenants and agreements of each Seller in this Agreement and the Transaction Documents are several and not joint and pertain only to such Seller’s interest in the Assets, (b) that no Seller shall have any Liability or obligation under this Agreement, the Transaction Documents or otherwise to Buyer or the Buyer Indemnified Parties for any breach of any representation, warranty, covenant or agreement by any other Seller under this Agreement or any Transaction Document or for any payment or indemnification obligation of any other Seller under this Agreement or any Transaction Document and (c) Buyer, on behalf of itself and the Buyer Indemnified Parties hereby releases, remises and forever discharges each Seller and its Seller’s Indemnified Parties from any and all suits, legal or administrative proceedings, Liabilities or interest whatsoever, whether in contract, tort or otherwise, known or unknown, which Buyer or the Buyer Indemnified Parties might now or subsequently have, based on, relating to or arising out

of any claim that Sellers have joint and several liability to Buyer for breach of any representation, warranty, covenant or agreement by any other Seller under this Agreement or any Transaction Document or for any payment or indemnification obligation of any other Seller under this Agreement or any Transaction Document; provided, however, that nothing in this Section 15.19 shall be deemed to release Sellers from their respective Liabilities for Retained Obligations.

[Signature Pages Follow]

IN WITNESS WHEREOF, Sellers and Buyer have executed this Agreement as of the date first written above.

SELLERS:

PIONEER NATURAL RESOURCES USA, INC.

By: _____
Name: Mark H. Kleinman
Title: Senior Vice President and General Counsel

Signature Page to Purchase and Sale Agreement

IN WITNESS WHEREOF, Sellers and Buyer have executed this Agreement as of the date first written above.

SELLERS:

RELIANCE EAGLEFORD UPSTREAM HOLDING LP, a Texas
limited partnership

By: Reliance Eagleford Upstream GP LLC, its general partner

By: _____
Name: Walter Van De Vijver
Title: President and Director

Signature Page to Purchase and Sale Agreement

IN WITNESS WHEREOF, Sellers and Buyer have executed this Agreement as of the date first written above.

SELLERS:

NEWPEK, LLC

By: _____
Name: Rodolfo Gamboa
Title: Vice President

Signature Page to Purchase and Sale Agreement

IN WITNESS WHEREOF, Sellers and Buyer have executed this Agreement as of the date first written above.

BUYER:

SUNDANCE ENERGY, INC.

By: _____
Name:
Title:

Signature Page to Purchase and Sale Agreement

ANNEX I

DEFINED TERMS

“*AAA*” shall have the meaning set forth in Section 3.5.

“*Access Agreement*” shall have the meaning set forth in Section 10.1.

“*Accounting Arbitrator*” shall have the meaning set forth in Section 3.5.

“*Acquisition Proposal*” shall have the meaning set forth in Section 6.7.

“*Adjusted Purchase Price*” shall have the meaning set forth in Section 3.1(c).

“*AFEs*” shall have the meaning set forth in Section 4.12.

“*Affiliate*” shall mean any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, another Person. The term “*control*” and its derivatives with respect to any Person mean either (a) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise or (b) the right to exercise fifty percent (50%) or more of the voting rights in the appointment of the directors (or other managers having duties similar to those of directors) of such Person. For clarity, no Seller is an Affiliate of any other Seller.

“*Agreement*” shall have the meaning set forth in the introductory paragraph herein.

“*Allocated Values*” shall have the meaning set forth in Section 3.6.

“*Allocation*” shall have the meaning set forth in Section 3.7.

“*Amended Enterprise Agreements*” means (a) with respect to Pioneer, those certain amendments to Pioneer’s Enterprise Agreements as are contemplated by and attached to the Enterprise Closing Agreement, (b) with respect to Reliance, those certain amendments to Reliance’s Enterprise Agreements as are contemplated by and attached to the Enterprise Closing Agreement, and (c) with respect to Newpek, those certain amendments to Newpek’s Enterprise Agreements as are contemplated by and attached to the Enterprise Closing Agreement.

“*Ancillary Rights*” shall mean all overriding royalty interests, net profits interests, and other similar interests owned by a Seller in and to the Land, or in or attributable to production therefrom, and all corollary rights, properties and interests of Sellers relating to such interests, including without limitation the overriding royalty interests, net profits interests and other similar interests included on Exhibit A.

“*Applicable Contracts*” shall mean all Contracts to which a Seller is a party or is bound relating to any of the Assets and (in each case) that will be binding on Buyer after Closing, including: communitization agreements; net profits agreements; production payment agreements; joint venture agreements; confidentiality agreements; farmin and farmout agreements; throughput,

volume, dedication, and other commitments; bottom hole agreements; crude oil, condensate and natural gas purchase and sale, gathering, transportation, stabilization, processing, treating, blending, compression, and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; saltwater handling and disposal agreements; facilities or equipment leases; procurement and construction agreements; facility operating; binding portions of letters of intent and other preliminary agreements; the ETC Gas Processing and Transport Agreement; and other similar contracts and agreements, but exclusive of any master service agreements and Contracts relating to the Excluded Assets.

“**Area**” or “**Areas**” shall mean the area or areas, as applicable, within the Area Boundaries depicted on the Area Plat.

“**Area Boundaries**” shall mean the boundaries of the Areas depicted on the Area Plat attached as Exhibit A-1.

“**Area Plat**” shall mean the plat attached to this Agreement as Exhibit A-1 depicting the Area Boundaries.

“**Asset Credit Support**” shall mean any bonds, letters of credit and guarantees, if any, posted or reasonably anticipated by Sellers or any of their respective Affiliates with Governmental Authorities or other Third Parties and relating to the Assets.

“**Asset Taxes**” shall mean ad valorem, property, severance, production, sales, use and similar Taxes (excluding, for the avoidance of doubt, any Income Taxes and Transfer Taxes) based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom or the receipt of proceeds therefrom.

“**Assets**” shall have the meaning set forth in Section 2.1.

“**Assignment**” shall mean the Assignment, Assumption and Bill of Sale from Sellers to Buyer, pertaining to the Assets, in the form attached to this Agreement as Exhibit E.

“**Assumed Obligations**” shall have the meaning set forth in Section 13.1(a).

“**ASX**” shall have the meaning set forth in Section 6.5(b).

“**Australian Business Day**” shall mean a day (other than a Saturday or Sunday) on which commercial banks in Australia are generally open for business.

“**Breaching Party**” means a Party (a “**Subject Party**”) who, at the time in question, is in Willful Breach, if (but only if), at such time in question, all conditions precedent to the obligations of the Subject Party to close as set forth in Article VII or Article VIII, as applicable, (a) have been satisfied (or waived in writing by the Subject Party) other than those conditions that can only be satisfied at the Closing, but subject to the Buyer (in the case where any Seller is the Subject Party) or the Sellers (in the case where Buyer is the Subject Party) being ready, willing and able to satisfy such conditions at such time in question or (b) would have been fulfilled or satisfied except solely due to the Willful Breach by the Subject Party.

“Burden” shall mean any and all royalties (including lessor’s royalty), overriding royalties, production payments, net profits interests and other burdens upon, measured by or payable out of production (excluding, for the avoidance of doubt, any Taxes).

“Business Day” shall mean a day (other than a Saturday or Sunday) on which commercial banks in the State of New York and the State of Texas are generally open for business.

“Buyer” shall have the meaning set forth in the introductory paragraph herein.

“Buyer Financial Statement Efforts” shall have the meaning set forth in Section 6.5(b).

“Buyer Indemnified Parties” shall have the meaning set forth in Section 13.2.

“Buyer Parent” shall have the meaning set forth in Section 6.5(a).

“Buyer Parent Financing Efforts” shall have the meaning set forth in Section 6.5(a).

“Buyer Parent Shareholder Materials” shall have the meaning set forth in Section 6.5(a).

“Buyer PSA Guaranty” shall mean a guaranty by Buyer Parent in favor of each Seller guarantying the payment and performance of Buyer’s post-Closing obligations under this Agreement in the form attached hereto as Exhibit K.

“Buyer Required Financial Statements” shall have the meaning set forth in Section 6.5(b).

“Buyer’s Certificate” shall have the meaning set forth in Section 9.3(i).

“Buyer’s Fundamental Representations” shall mean the representations and warranties in Section 5.1, Section 5.2, Section 5.3(a), Section 5.4, Section 5.9 and Section 5.10.

“Casualty Loss” shall have the meaning set forth in Section 11.2(b).

“CGP11” shall mean the central gathering plant located at 28°20’59.07”N 98°54’04.05” W in La Salle County, Texas and consisting of approximately 1.5 miles of 4” diameter, 0.36 miles of 8” diameter, 2.9 miles of 12” diameter, and 3 miles of 16” diameter pipelines for the purpose of transporting combined streams of gas, oil, and water from wells to CGP11, related meters, risers, valves, pig launchers/receivers, cathodic protection, marker signs, and other appurtenances, together with oil stabilization and gas treating facilities all as more particularly described on Exhibit D, and including title to or the right to occupy the surface on which such facilities are located pursuant to Applicable Contracts or title documents of record.

“Claim Notice” shall have the meaning set forth in Section 13.7(b).

“Closing” shall have the meaning set forth in Section 9.1.

“Closing Date” shall have the meaning set forth in Section 9.1.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commercially Reasonable Efforts” shall mean, with respect to a given obligation, commercially reasonable efforts that a prudent Person that desires to achieve a result would use in similar circumstances to cause the result to be achieved in an expeditious manner; *provided, however*, that a Person required to use its Commercially Reasonable Efforts shall not be required to take actions that would result in a material adverse change in the benefits to such Person under this Agreement, to commence any Proceeding or to offer or grant any material accommodation (financial or otherwise) to any Person.

“Confidentiality Agreement” shall mean that certain Confidentiality Agreement dated December 31, 2016 by and between Sellers and Buyer (as amended).

“Consent” shall have the meaning set forth in Section 4.4.

“Contract” shall mean any written contract, agreement or any other legally binding arrangement that relate to Assets, but excluding, however, any Lease, easement, right-of-way, permit or other instrument creating or evidencing an interest in the Assets or any real or immovable property related to or used in connection with the operations of any Assets; provided, however, that Contract shall specifically exclude any expired or terminated Contract.

“Copano” means Copano Processing LLC.

“Copano Agreements” means (a) with respect to Pioneer, that certain Gas Services Agreement, dated effective January 1, 2016, between Pioneer and Copano (as amended), (b) with respect to Reliance, that certain Gas Services Agreement, dated effective January 1, 2016, between Reliance and Copano (as amended), and (c) with respect to Newpek, that certain Gas Services Agreement, dated effective January 1, 2016, between Newpek and Copano (as amended), and the term **“Copano Agreements”** means all such agreements.

“Customary Post-Closing Consents” shall mean the consents and approvals from Governmental Authorities for the assignment of the Assets to Buyer that are customarily obtained after the assignment of properties similar to the Assets.

“DCP” means DCP Midstream, LP.

“DCP Gas Processing and Transport Agreement” means (a) with respect to Pioneer, that certain Gas Gathering and Processing Contract, dated January 17, 2011, between Pioneer and DCP (as amended), (b) with respect to Reliance, that certain Gas Gathering and Processing Contract, dated December 21, 2010, between Reliance and DCP (as amended), and (c) with respect to Newpek, that certain Gas Gathering and Processing Contract, dated December 21, 2010, between Newpek and DCP (as amended), and the term **“DCP Gas Processing and Transport Agreements”** means all such agreements.

“De Minimis Threshold” shall have the meaning set forth in Section 13.4(a).

“Decommission” shall mean all dismantling and decommissioning activities and obligations as are required by Law, any Governmental Authority, Lease or other agreement including all well plugging, replugging and abandonment, facility dismantlement and removal, pipeline and flowline removal, closed, removed, purged, abandoned, capped, remediated and

restored dismantlement, closure, purging, capping, remediating, restoring or removal of all other property of any kind related to or associated with operations or activities and associated site clearance, site restoration and site remediation.

“Defensible Title” shall mean, with respect to each Seller, such title of record of such Seller as of the Effective Time and the Closing Date and subject to Permitted Encumbrances:

(a) with respect to each Well described on Exhibit B, entitles such Seller to receive not less than the Net Revenue Interest set forth on Exhibit B for such Seller for such Well from the Subject Depths, except for (i) decreases in connection with those operations in which such Seller or its successors or assigns may from and after the Execution Date elect to be a non-consenting co-owner in accordance with the Agreement, (ii) decreases resulting from the establishment or amendment from and after the Execution Date of pools or units, (iii) decreases required to allow other Working Interest owners to make up past underproduction or pipelines to make up past under deliveries for post-Effective Time Imbalances shown on Schedule 4.11, and (iv) as otherwise set forth on Exhibit B;

(b) with respect to each Well described on Exhibit B, obligates such Seller to bear not more than the Working Interest set forth on Exhibit B for such Seller such Well from the Subject Depths, except (i) increases resulting from contribution requirements arising after the Execution Date with respect to defaulting co-owners under existing applicable agreements, (ii) increases to the extent that such increases are accompanied by a proportionate or greater increase in such Seller’s Net Revenue Interest, and (iii) as otherwise set forth on Exhibit B;

(c) with respect to each Lease described on Exhibit A, entitles such Seller to receive (during the entirety of the productive life of such property) not less than the Net Revenue Interest set forth on Exhibit A for such Seller and such Lease (proportionately reduced to the Working Interests of such Seller attributable to such Lease) as to the Subject Depths, except for (i) decreases in connection with those operations in which such Seller or its successors or assigns may from and after the Execution Date elect to be a non-consenting co-owner, (ii) decreases resulting from the establishment or amendment from and after the Execution Date of pools or units, (iii) decreases required to allow other Working Interest owners to make up past underproduction or pipelines to make up past under deliveries for post-Effective Time Imbalances shown on Schedule 4.11, and (iv) as otherwise specifically set forth on Exhibit A;

(d) with respect to each Lease described on Exhibit A, entitles such Seller to no less than the number of Net Acres set forth under the heading “Net Acres” on Exhibit A for such Seller for such Lease as to the Subject Depths; and

(e) is free and clear of all Encumbrances and defects of title.

“Dispute Notice” shall have the meaning set forth in Section 3.4(a).

“Effective Time” shall mean 7:00 a.m. Central Time on October 1, 2017.

“email” shall have the meaning set forth in Section 15.6.

“Encumbrance” shall mean any lien, mortgage, security interest, pledge, charge, or other encumbrance that encumbers or burdens any of the Assets.

“Enterprise Agreements” means the following agreements, in each case, effective as of July 1, 2015: (a) First Amended and Restated Hydrocarbon Gathering and Handling Agreement between Pioneer and EFS Midstream; (b) First Amended and Restated Hydrocarbon Gathering and Handling Agreement between Reliance and EFS Midstream; (c) First Amended and Restated Hydrocarbon Gathering and Handling Agreement between Newpek and EFS Midstream; (d) Processed Condensate Purchase Agreement between Pioneer and Enterprise Crude; (e) Processed Condensate Purchase Agreement between Reliance and Enterprise Crude; (f) Processed Condensate Purchase Agreement between Newpek and Enterprise Crude; (g) Crude Oil and Unprocessed Condensate Purchase Agreement between Pioneer and Enterprise Crude; (h) Crude Oil and Unprocessed Condensate Purchase Agreement between Reliance and Enterprise Crude; (i) Crude Oil and Unprocessed Condensate Purchase Agreement between Newpek and Enterprise Crude; (j) First Amended and Restated Gas Processing Agreement between Pioneer and Enterprise Hydrocarbons; (k) First Amended and Restated Gas Processing Agreement between Reliance and Enterprise Hydrocarbons; (l) First Amended and Restated Gas Processing Agreement between Newpek and Enterprise Hydrocarbons; (m) First Amended and Restated Firm Gas Transportation Agreement for Intrastate Service between Pioneer and Enterprise Texas Pipeline; (n) First Amended and Restated Firm Gas Transportation Agreement for Intrastate Service between Reliance and Enterprise Texas Pipeline; (o) First Amended and Restated Firm Gas Transportation Agreement for Intrastate Service between Newpek and Enterprise Texas Pipeline; (p) First Amended and Restated Firm Gas Transportation Agreement for NGPA Section 311 Service between Pioneer and Enterprise Texas Pipeline; (q) First Amended and Restated Firm Gas Transportation Agreement for NGPA Section 311 Service between Reliance and Enterprise Texas Pipeline; (r) First Amended and Restated Firm Gas Transportation Agreement for NGPA Section 311 Service between Newpek and Enterprise Texas Pipeline; (s) First Amended and Restated Interruptible Gas Transportation Agreement for NGPA Section 311 Service between Pioneer and Enterprise Texas Pipeline; (t) First Amended and Restated Interruptible Gas Transportation Agreement for NGPA Section 311 Service between Reliance and Enterprise Texas Pipeline; (u) First Amended and Restated Interruptible Gas Transportation Agreement for NGPA Section 311 Service between Newpek and Enterprise Texas Pipeline; (v) First Amended and Restated Interruptible Gas Transportation Agreement for Intrastate Service between Pioneer and Enterprise Texas Pipeline; (w) First Amended and Restated Interruptible Gas Transportation Agreement for Intrastate Service between Reliance and Enterprise Texas Pipeline; and (x) First Amended and Restated Interruptible Gas Transportation Agreement for Intrastate Service between Newpek and Enterprise Texas Pipeline.

“Enterprise Entities” means EFS Midstream LLC (**“EFS Midstream”**), Enterprise Crude Oil LLC (**“Enterprise Crude”**), Enterprise Hydrocarbons L.P. (**“Enterprise Hydrocarbons”**) and Enterprise Texas Pipeline LLC (**“Enterprise Texas Pipeline”**).

“Enterprise Closing Agreement” means that certain agreement as of the date hereof between the Enterprise Entities, Sellers and Buyer.

“Environmental Defect” shall mean, with respect to each Seller, (a) a condition existing on the Execution Date with respect to the air, soil, subsurface, surface waters, ground waters and

sediments that causes such Seller's interest in the Asset (or such Seller with respect to such interest in the Asset) not to be in compliance with Environmental Laws or (b) the existence as of the Execution Date with respect to such Seller's interest in the Assets or its operation thereof of any environmental pollution, contamination or degradation or Hazardous Substances where Remediation or corrective action is presently required (or if known, would be presently required) under Environmental Laws.

"Environmental Laws" shall mean all Laws in effect as of the Execution Date relating to the prevention of pollution, protection of the environment (including natural resources and wildlife), remediation of contamination or restoration of environmental quality, including those Laws relating to the use, generation, processing, treatment, migration, storage, transportation, disposal, discharge, release, or other management of chemicals and other Hazardous Substances, or the reporting thereof, and including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; the Rivers and Harbors Act of 1899, 33 U.S.C. § 401 et seq.; and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; and any state Law that encompasses equivalent, additional, or more stringent requirements to any of the foregoing. The term **"Environmental Laws"** does not include good or desirable operating practices or standards that may be employed or adopted by other oil and gas well operators or recommended by a Governmental Authority that are not mandatory under Environmental Laws.

"ETC" means ETC Texas Pipeline, Ltd.

"ETC Gas Processing and Transport Agreement" means (a) with respect to Pioneer, that certain Gathering and Processing Agreement, dated October 1, 2012, Pioneer and ETC, as amended, (b) with respect to Reliance, that certain Gathering and Processing Agreement, dated October 1, 2012, Reliance and ETC, as amended, and (c) with respect to Newpek, that certain Gathering and Processing Agreement, dated October 1, 2012, Newpek and ETC, as amended, and the term **"ETC Gas Processing and Transport Agreements"** means all such agreements.

"Exchange" shall have the meaning set forth in Section 15.18.

"Excluded Assets" shall mean, with respect to a Seller, (a) all of such Seller's minute books, financial records and other business records that relate to such Seller's business generally (including the ownership and operation of the Assets); (b) except to the extent relating to any Assumed Obligation, all trade credits, all accounts, all receivables and all other proceeds, income or revenues directly attributable to such Seller's interest in the Assets and attributable to any period of time prior to the Effective Time and, subject to the adjustments to the Pioneer Purchase Price, the Reliance Purchase Price and the Newpek Purchase Price set forth in Section 3.2, all funds held in suspense; (c) to the extent that they do not relate to the Assumed Obligations for which Buyer is providing indemnification hereunder, all claims and causes of action of such Seller arising under or with respect to any Contracts that are attributable to periods of time prior to the Effective Time

(including claims for adjustments or refunds); (d) subject to Section 11.2, all rights and interests of such Seller (i) under any policy or agreement of insurance, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events or damage to or destruction of property; (e) all Hydrocarbons produced and sold from such Seller's interest in the Assets with respect to all periods prior to the Effective Time, excluding all Hydrocarbons in storage or existing in pipelines, plants and tanks (including inventory and line fill) and upstream of the sales meter as of the Effective Time for which Sellers receive an upward adjustment to the Purchase Price; (f) all claims of such Seller or its Affiliates for refunds of, credits attributable to, loss carry forwards with respect to, or similar Tax assets relating to (i) Asset Taxes attributable to any period (or portion thereof) prior to the Effective Time, (ii) such Seller's Income Taxes or (iii) any Taxes attributable to such Seller's Excluded Assets; (g) all personal computers and associated peripherals and all radio and telephone equipment of such Seller, including any software or programs used in connection with the SCADA Equipment; (h) all of such Seller's proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property except for G&G Data; (i) all documents and instruments of such Seller that may be protected by an attorney-client privilege or any attorney work product doctrine (other than title opinions); (j) all data, information and agreements of such Seller that cannot be disclosed to Buyer as a result of confidentiality arrangements under agreements with Third Parties that remain in effect as of the Effective Time; (k) to the extent that they do not relate to the Assumed Obligations for which Buyer is providing indemnification hereunder, all audit rights of such Seller arising under any of the Applicable Contracts or otherwise with respect to any period prior to the Effective Time or to any of the Excluded Assets, except for any Imbalances assumed by Buyer; (l) (x) all G&G Data and third party seismic licenses relating to the Assets which such Seller may not disclose, assign or transfer under its existing agreements and licenses without making any additional payments, or incurring any Liabilities and (y) any interpretations or analyses of any G&G Data or third party seismic licenses; (m) documents prepared or received by such Seller or its Affiliates with respect to (i) lists of prospective purchasers for such transactions compiled by such Seller, (ii) bids submitted by other prospective purchasers of the Assets, (iii) analyses by such Seller or its Affiliates of any bids submitted by any prospective purchaser, (iv) correspondence between or among Sellers or any of their representatives, and any prospective purchaser other than Buyer and (v) correspondence between Sellers or any of their representatives with respect to any of the bids, the prospective purchasers or the transactions contemplated by this Agreement; (n) any offices, office leases and any personal property located in or on such offices or office leases of such Seller; (o) any inventory of such Seller, unless such inventory is located on Leases, Lands or surface equipment and is specifically set aside and designated as inventory for use with the Assets; (p) any other assets, properties or items of such Seller specifically listed on Exhibit F; (q) any Hedge Contracts of such Seller; (r) any debt instruments of such Seller; (s) any master services agreements or similar Contracts of such Seller or its Affiliates; and (t) the DCP Gas Processing and Transport Agreement, Copano Agreements, and Enterprise Agreements.

"Execution Date" shall have the meaning set for in the introductory paragraph herein.

"Final Price" shall have the meaning set forth in Section 3.4(a).

"Final Settlement Statement" shall have the meaning set forth in Section 3.4(a).

"Financing Efforts" shall have the meaning set forth in Section 6.5(b).

“First Seller” shall have the meaning set forth in Section 8.4.

“G&G Data” shall have the meaning set forth in Section 2.1(i).

“GAAP” shall mean United States generally accepted accounting principles as in effect on the Execution Date.

“Governmental Authority” shall mean any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power, and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

“Governmental Authorizations” shall have the meaning set forth in Section 2.1(j).

“Hard Consent” shall have the meaning set forth in Section 11.3(a).

“Hazardous Substances” shall mean any pollutants, contaminants, toxins or hazardous or extremely hazardous substances, materials, wastes, constituents, radiation, compounds or chemicals that are regulated by or included in the definition of “hazardous substance,” “hazardous material,” “hazardous waste,” “restricted hazardous waste,” “extremely hazardous waste,” “solid waste,” “toxic substance,” “extremely hazardous substance,” “chemical substance,” “toxic pollutant,” “contaminant” or “pollutant,” or may form the basis of Liability under, any Environmental Laws including (i) NORM, (ii) oil and gas exploration and production wastes, including produced and flow back waters; and (iii) asbestos containing materials, mercury, polychlorinated biphenyls, mold, radioactive materials, urea formaldehyde foam insulation, or radon gas.

“Hedge Contract” shall mean any Contract to which a Seller is a party 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.

“Hydrocarbons” shall mean oil and gas and other hydrocarbons produced or processed in association therewith.

“Imbalances” shall mean all Well Imbalances and Pipeline Imbalances.

“Income Taxes” shall mean any income, franchise and similar Taxes.

“Indebtedness” shall have the meaning set forth in Section 13.1(b)(x).

“Indemnified Party” shall have the meaning set forth in Section 13.7(a).

“Indemnifying Party” shall have the meaning set forth in Section 13.7(a).

“Indemnity Deductible” shall mean, (i) with respect to Pioneer, one and one-half percent (1.5%) of the Pioneer Purchase Price, (ii) with respect to Reliance, one and one-half percent (1.5%) of the Reliance Purchase Price, and (iii) with respect to Newpek, one and one-half percent (1.5%) of the Newpek Purchase Price.

“Information” shall have the meaning set forth in Section 15.13(b).

“Initial Deposit” shall have the meaning set forth in Section 3.1(d).

“Initial Deposit Deadline” shall have the meaning set forth in Section 3.1(d).

“Interim Period” shall mean that period of time commencing with the Effective Time and ending at 7:00 a.m. Central Time on the Closing Date.

“JDA Agreements” shall mean that certain Joint Development Agreement, dated June 29, 2010 among the Sellers, that certain Joint Operating Agreement, dated June 29, 2010, among the Sellers (the ***“Sellers JOA”***), that certain Tax Partnership Agreement, dated June 29, 2010, among the Sellers and all ancillary instruments, documents and agreements entered into by the Sellers and their Affiliates in connection therewith (including any amendments, supplements and/or modifications to such agreements).

“Knowledge” shall mean (a) with respect to each Seller, the actual knowledge of the individuals listed on Schedule I-1 for such Seller, and (b) with respect to Buyer, the actual knowledge of the individuals listed on Schedule I-2.

“Land” shall have the meaning set forth in Section 2.1(a).

“Law” shall mean any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority, and the applicable common law of a Governmental Authority having jurisdiction over the Parties or the Assets.

“Leases” shall have the meaning set forth in Section 2.1(a).

“Liabilities” shall mean any and all costs, expenses, claims, obligations, causes of action, payments, charges, demands, judgments, assessments, liabilities, losses, damages, penalties, fines and costs and expenses, and other liabilities (whether absolute, accrued, contingent, fixed or otherwise, or whether known or unknown, or due or to become due or otherwise), including any amounts paid in permitted settlements and any reasonable attorneys’ fees, legal or other expenses incurred in connection therewith.

“Material Adverse Effect” shall mean an event or circumstance that, individually or in the aggregate, results in a material adverse effect on the ownership, operation or value of the Assets taken as a whole and as currently operated as of the Execution Date that would reasonably be expected to cause a diminution in the aggregate value of the Assets in an amount equal to or in excess of ten percent (10%) of the Purchase Price, or a material adverse effect on the ability of a Seller to consummate the transactions contemplated by this Agreement and perform its obligations hereunder; *provided, however*, that a Material Adverse Effect shall not include any material

adverse effects resulting from: (a) entering into this Agreement or the announcement of the transactions contemplated by this Agreement; (b) any action or omission of a Seller taken in accordance with the terms of this Agreement without the violation thereof or with the prior written consent of Buyer (other than any unanticipated event or result relating thereto); (c) changes in general market, economic, financial or political conditions (including changes in commodity prices, fuel supply or transportation markets, interest or rates) in the area in which the Assets are located, the United States or worldwide; (d) changes in conditions or developments generally applicable to the oil and gas industry in the area where the Assets are located; (e) acts of God, including hurricanes, storms or other naturally occurring events; (f) acts or failures to act of Governmental Authorities other than in response to default or claimed default of any Seller with respect to any Governmental Authorization or Law; (g) civil unrest, any outbreak of disease or hostilities, terrorist activities or war or any similar disorder; (h) matters that are cured or no longer exist by the earlier of Closing and the termination of this Agreement; (i) a change in Laws and any interpretations thereof from and after the Execution Date; (j) any reclassification or recalculation of reserves in the ordinary course of business; (k) changes in the prices of Hydrocarbons; and (l) natural declines in well performance.

“Material Contracts” shall have the meaning set forth in Section 4.7(a).

“Meeks and Wye Ranch Agreements” shall have the meaning set forth in Section 6.11(a).

“Net Acres” shall mean, as computed separately with respect to each Seller’s Working Interest in a Lease (a) the number of gross acres in the lands covered by such Lease *times* (b) the mineral interest in Hydrocarbons covered by such Lease in such lands *times* (c) such Seller’s Working Interest for such Lease.

“Net Revenue Interest” shall mean, with respect to a Seller’s Working Interest in a Well (or a specific depth or formation in such Well, as may be applicable) or a Lease (or a specific depth or formation in such Lease, as applicable), such Seller’s interest in and to all Hydrocarbons produced, saved and sold from or allocated to such Well or Lease (or such specific depth or formation, as applicable), after giving effect to all Burdens of such Seller; provided that if a Seller’s Working Interest in any Lease differs as to any part or depth of such Lease, then a separate calculation shall be made as to each such part or depth.

“New Enterprise Agreements” means those certain agreements to be entered into at Closing between Buyer and the Enterprise Entities relating to the Assets that are contemplated by and attached to the Enterprise Closing Agreement.

“Newpek” shall have the meaning set forth in the introductory paragraph herein.

“Newpek Adjusted Purchase Price” shall have the meaning set forth in Section 3.1(c).

“Newpek Assets” means all of Newpek’s right, title and interest in and to the Assets.

“Newpek Purchase Price” shall have the meaning set forth in Section 3.1(c).

“NORM” shall mean naturally occurring radioactive material, including technically enhanced NORM or “TENORM.”

“**Other Wells**” shall have the meaning set forth in Section 2.1(b).

“**Outside Date**” shall have the meaning set forth in Section 14.1(c).

“**Party**” and “**Parties**” shall have the meaning set forth in the introductory paragraph herein.

“**Permitted Encumbrances**” shall mean, with respect to each Seller:

(a) the terms and conditions of all Leases, Material Contracts and all Burdens if the net cumulative effect of such Leases, Material Contracts and Burdens does not operate to (i) reduce the Net Acres of such Seller in any Lease to an amount less than the number of Net Acres set forth on Exhibit A for such Seller as to the Subject Depths, (ii) increase the Burdens on any Lease in excess of the Burdens set forth on Exhibit A for such Seller for such Lease (proportionately reduced to the Working Interest of such Seller attributable to such Lease) as to the Subject Depths, (iii) increase the Working Interest such Seller is obligated to bear with respect to any Well in an amount greater than the Working Interest set forth on Exhibit B for such Seller for such Well (unless the Net Revenue Interest for such Seller for such Well as set forth on Exhibit B is increased in the same or greater proportion as any such increase in Working Interest), or (iv) decrease the Net Revenue Interest such Seller is entitled to with respect to any Well in an amount below the Net Revenue Interest set forth on Exhibit B for such Seller for such Well;

(b) preferential rights to purchase (including the Preferential Purchase Rights) or Consents (including Customary Post-Closing Consents) or similar agreements listed on Schedules 4.4 or 4.9, as applicable;

(c) liens for Taxes that are not yet due and payable;

(d) conventional rights of reassignment upon final intention to abandon or release any of the Assets (that have not been transferred);

(e) all Laws and all rights reserved to or vested in any Governmental Authority, including required notices to and filings with any Governmental Authority in connection with the consummation of the transactions contemplated by this Agreement;

(f) rights of a common owner of any interest in rights-of-way, permits, easements or other Assets held by such Seller and such common owner as tenants in common or through common ownership, which, in each case, do not materially impair the operation or use of any of the Assets as currently operated and used;

(g) easements, conditions, covenants, restrictions, servitudes, permits, rights-of-way, surface leases and other rights in the Assets for the purpose of operations, facilities, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines, removal of timber, grazing, logging operations, canals, ditches, reservoirs and other like purposes, or for the joint or common use of real estate, rights-of-way, facilities and equipment, which, in each case, do not materially impair the operation or use of any of the Assets as currently operated and used;

(h) vendors, carriers, warehousemen's, repairmen's, mechanics', workmen's, materialmen's, construction or other like liens arising by operation of Law in the ordinary course of business or incident to the construction or improvement of any property in respect of obligations which are not yet due;

(i) liens created under the Assets or operating agreements or by operation of Law in respect of obligations that are not yet due;

(j) any Encumbrance affecting the Assets that is discharged by such Seller at or prior to Closing;

(k) any matters referenced and set forth on Exhibit A or Exhibit B and all litigation set forth on Schedule 4.6;

(l) mortgage liens burdening a lessor's interest in the Assets; and

(m) all other Encumbrances, Contracts (including the Applicable Contracts), instruments, obligations, defects and irregularities affecting the Assets that individually or in the aggregate (i) are not such as to materially interfere with the operation or use of any of the Assets, (ii) reduce the Net Acres of such Seller in any Lease to an amount less than the number of Net Acres set forth on Exhibit A for such Seller as to the Subject Depths, (iii) increase the Burdens on any Lease in excess of the Burdens set forth on Exhibit A for such Seller for such Lease (proportionately reduced to the Working Interest of such Seller attributable to such Lease) as to the Subject Depths, (iv) increase the Working Interest such Seller is obligated to bear with respect to any Well in an amount greater than the Working Interest set forth on Exhibit B for such Seller for such Well (unless the Net Revenue Interest for such Seller for such Well as set forth on Exhibit B is increased in the same or greater proportion as any such increase in Working Interest), or (v) decrease the Net Revenue Interest such Seller is entitled to with respect to any Well in an amount below the Net Revenue Interest set forth on Exhibit B for such Seller for such Well.

"Person" shall mean any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"Personal Property" shall have the meaning set forth in Section 2.1(h).

"Pioneer" shall have the meaning set forth in the introductory paragraph herein.

"Pioneer Adjusted Purchase Price" shall have the meaning set forth in Section 3.1(a).

"Pioneer Assets" means all of Pioneer's right, title and interest in and to the Assets.

"Pioneer Purchase Price" shall have the meaning set forth in Section 3.1(a).

"Pipeline Imbalance" shall mean any imbalance in volume or hydrocarbon value between the Hydrocarbons attributable to the Assets required to be delivered by a Seller or its designee under any Contract relating to Hydrocarbons and the Hydrocarbons attributable to the Assets actually delivered by such Seller or its designee pursuant to the relevant Contract, together with

any appurtenant rights and obligations concerning production balancing at the delivery point into the relevant sale, transportation, storage or processing facility.

“Preferential Purchase Right” shall have the meaning set forth in Section 4.9.

“Preliminary Settlement Statement” shall have the meaning set forth in Section 3.3.

“Proceeding” shall mean any proceeding, action, arbitration, litigation, subpoena, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

“Property Expenses” shall have the meaning set forth in Section 2.3.

“Purchase Price” shall have the meaning set forth in Section 3.1(c).

“Records” shall have the meaning set forth in Section 2.1(n).

“Release” means any presence, releasing, depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing on, into, or through the environment.

“Reliance” shall have the meaning set forth in the introductory paragraph herein.

“Reliance Adjusted Purchase Price” shall have the meaning set forth in Section 3.1(b).

“Reliance Assets” means all of Reliance’s right, title and interest in and to the Assets.

“Reliance Purchase Price” shall have the meaning set forth in Section 3.1(b).

“Remediation” shall mean, with respect to an Environmental Defect, the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions to the extent required under Environmental Laws to correct or remove such Environmental Defect. ***“Remediate,” “Remediates”*** and ***“Remediated”*** shall have corollary meanings.

“Required Insurance” shall have the meaning set forth in Section 6.11(b).

“Retained Obligations” shall have the meaning set forth in Section 13.1(b).

“SCADA Equipment” shall mean all SCADA equipment, fixtures and personal property to the extent located on the Leases, Wells or Surface Rights, provided that the ***“SCADA Equipment”*** shall not include any software or programs used in connection therewith.

“SEC” shall have the meaning set forth in Section 6.5(b).

“Second Deposit” shall have the meaning set forth in Section 3.1(e).

“Second Deposit Deadline” shall have the meaning set forth in Section 3.1(e).

“**Seller**” and “**Sellers**” shall have the meanings set forth in the introductory paragraph of this Agreement.

“**Seller Indemnified Parties**” shall mean, with respect to each Seller, such Seller, its Affiliates and all of its and its Affiliate’s respective equity holders, partners, members, directors, officers, managers, employees, agents and representatives and “**Sellers’ Indemnified Parties**” shall mean, collectively, the Seller Indemnified Parties of all of the Sellers.

“**Seller Share**” means 46.4190% with respect to Pioneer, 44.9455% with respect to Reliance, and 8.6355% with respect to Newpek; provided that with respect to any individual Asset, a Seller’s “Seller Share” shall be a percentage determined by calculating ratio by which the Working Interest that such Seller owns in such Asset bears to the total Working Interests that all Sellers own in such Asset.

“**Seller Taxes**” shall mean, with respect to a Seller, (a) Income Taxes imposed by any applicable Laws on such Seller, (b) Asset Taxes allocable to such Seller pursuant to Section 15.2 (taking into account, and without duplication of, (i) such Asset Taxes effectively borne by such Seller as a result of Purchase Price adjustments made pursuant to Sections 3.2, 3.3 or 3.4, as applicable, and (ii) any payments made from one Party to the other in respect of Asset Taxes pursuant to Section 15.2(d)), and (c) any Taxes imposed on or with respect to the ownership or operation of such Seller’s Excluded Assets.

“**Seller’s Certificate**” and “**Sellers’ Certificates**” shall have the meanings set forth in Section 9.3(h).

“**Seller’s Fundamental Representations**” shall mean the representations and warranties in Section 4.1, Section 4.2, Section 4.3(a), Section 4.4 and Section 4.14.

“**Sellers JOA**” shall have the meaning set forth in the definition of “**JDA Agreements**.”

“**Services**” shall have the meaning set forth in Schedule 6.12.

“**Special Warranty of Title**” shall have the meaning set forth in Section 11.1(b).

“**Straddle Period**” shall mean any Tax period beginning before and ending after the Effective Time.

“**Subject Depths**” shall mean, (a) with respect to any Lease and unless otherwise set forth on Exhibit A, the “Eagle Ford Shale Formation” and “Austin Chalk Formation,” each as defined on Exhibit H, and (b) with respect to any Well, the formation from which such Well is currently producing.

“**Surface Rights**” shall have the meaning set forth in Section 2.1(f).

“**Surviving Provisions**” shall have the meaning set forth in Section 14.2(a).

“**SWT Survival Period**” shall mean the period of time commencing as of the Closing and ending at 5:00 p.m. Central Time on the 24-month anniversary of the Closing Date.

“Target Closing Date” shall have the meaning set forth in Section 9.1.

“Tax Returns” shall have the meaning set forth in Section 4.13.

“Taxes” shall mean any taxes, assessments and other governmental charges imposed by any Governmental Authority, including income, profits, gross receipts, employment, stamp, occupation, premium, alternative or add-on minimum, ad valorem, real property, personal property, transfer, real property transfer, value added, sales, use, customs, duties, capital stock, franchise, excise, withholding, social security (or similar), unemployment, disability, payroll, windfall profit, severance, production, estimated or other tax, including any interest, penalty or addition thereto, whether disputed or not.

“Third Party” shall mean any Person other than a Party to this Agreement or an Affiliate of a Party to this Agreement.

“Third Party Claim” shall have the meaning set forth in Section 13.7(b).

“Transaction Documents” shall mean the Assignment, Buyer’s Certificate, Seller’s Certificates, the Transaction Support Agreement and any other documents executed pursuant to or in connection with this Agreement or the Transaction Support Agreement.

“Transaction Support Agreement” shall have the meaning set forth in Section 9.3(m).

“Transfer Taxes” shall have the meaning set forth in Section 15.2(f).

“Treasury Regulations” shall mean the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar, substitute, proposed or final Treasury Regulations.

“Units” shall have the meaning set forth in Section 2.1(c).

“Well Imbalance” shall mean any imbalance at the wellhead between the Hydrocarbons produced from a Well and allocable to the interests of a Seller therein and the shares of production from the relevant Well to which such Seller are entitled, together with any appurtenant rights and obligations concerning future in kind or cash balancing at the wellhead.

“Wells” shall have the meaning set forth in Section 2.1(b).

“Wells in Progress” shall have the meaning set forth in Section 4.12.

“Willful Breach” shall mean, with respect to a Party, (a) such Party’s willful or deliberate act or a willful or deliberate failure to act by such Party, which act or failure to act (i) constitutes in and of itself a material breach of any covenant set forth in this Agreement and (ii) which was undertaken with the actual knowledge of such Party that such act or failure to act would be, or would reasonably be expected to cause, a material breach of this Agreement or (b) the failure by such Party to consummate the transactions contemplated by this Agreement after all conditions to such Party’s obligations in Article VII or Article VIII, as applicable, have been satisfied or waived

in accordance with the terms of this Agreement (other than those conditions which by their terms can only be satisfied simultaneously with the Closing but which would be capable of being satisfied at Closing if the Closing were to occur).

“Working Interest” shall mean, with respect to a Well (or a specific depth or formation in such Well, as applicable) or a Lease (or a specific depth or formation in such Lease, as applicable), the interest in such Well or Lease (or the applicable depth or formation) that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Well or Lease, but without regard to the effect of any Burdens.

Amended & Restated
Term Loan Credit Agreement

dated as of

April 23, 2018

among

Sundance Energy Australia Limited,
as Parent

Sundance Energy, Inc.,
as Borrower,

Morgan Stanley Energy Capital Inc.,
as Administrative Agent,

and

the Lenders party hereto

Morgan Stanley Energy Capital Inc.
Sole Lead Arranger and Sole Book Runner

[Credit Agreement]

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THIS AMENDED AND RESTATED TERM LOAN CREDIT AGREEMENT dated as of April 23, 2018, is among **Sundance Energy Australia Limited**, a limited company organized and existing under the laws of South Australia ("Parent"), **Sundance Energy, Inc.**, a Colorado corporation (the "Borrower"), each of the Lenders from time to time party hereto and Morgan Stanley Energy Capital Inc. (in its individual capacity, "MSECI"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

RECITALS

A. The Borrower has requested that the Lenders provide certain loans to the Borrower, and the Lenders have indicated their willingness to provide such loans, subject to the terms and conditions of this Agreement.

B. 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:

"Acquisition" means the acquisition by the Loan Parties of the Assets (as defined in the Acquisition PSA).

"Acquisition PSA" means that certain Purchase and Sale Agreement dated as of March 9, 2018, by and among Pioneer Natural Resources USA, Inc., a Delaware corporation, Reliance Eagleford Upstream Holding LP, a Texas limited partnership, and Newpek, LLC, a Delaware limited liability company, as sellers, and Borrower, as buyer, as amended by that certain First Amendment to Purchase and Sale Agreement dated as of March 19, 2018.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the then effective LIBO Rate multiplied by the Statutory Reserve Rate.

"Administrative Agent" has the meaning set forth in the preamble hereto.

"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.

"Agent" means each of the Administrative Agent and any other agent or sub-agent pursuant to Section 11.05 appointed by the Administrative Agent with respect to matters related to the Loan Documents.

“Agreement” means this Credit Agreement, including the Schedules and Exhibits hereto, as the same may be amended, modified, supplemented, restated, replaced or otherwise modified from time to time.

“Anti-Terrorism Laws” has the meaning assigned to such term in Section 7.26.

“Applicable Percentage” means, with respect to any Lender, the percentage of the aggregate Commitments represented by such Lender’s Commitment (or, at any time after the Effective Date, the percentage of the aggregate principal amount of Loans then outstanding represented by such Lender’s Loans then outstanding). The initial percentage of each Lender is set forth on Annex I.

“Applicable Premium” means the applicable percentage set forth below as determined based upon when the applicable prepayment of Loans is made:

If prepaid prior to the first anniversary of the Effective Date.	3.0%
If prepaid on or after the first anniversary of the Effective Date but prior to the second anniversary of the Effective Date	2.0%
If prepaid on or after the second anniversary of the Effective Date but prior to the third anniversary of the Effective Date	1.0%
If prepaid on or after the third anniversary of the Effective Date	0.0%

“Applicable Premium Amount” has the meaning assigned to such term in Section 3.04(d)(i).

“Approved Counterparty” means a counterparty to a Swap Agreement that at the time of entering into such Swap Agreement either (a) is a Secured Swap Provider, (b) is a Person whose senior unsecured long-term debt obligations are rated A or higher by S&P and A3 or higher by Moody’s, (c) Shell Oil Trading (US) Company, Shell Trading Risk Management LLC and their Affiliates, or (d) any other counterparty reasonably acceptable to the Administrative Agent.

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

“Approved Petroleum Engineer” means (a) Netherland, Sewell & Associates, Inc., (b) Ryder Scott Company Petroleum Consultants, L.P., and (c) any other independent petroleum engineers reasonably acceptable to the Required Lenders.

“Arranger” means Morgan Stanley Energy Capital Inc., in its capacity as the sole lead arranger and sole bookrunner 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 G or any other form approved by the Administrative Agent.

“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.

“Borrower” has the meaning set forth in the preamble hereto.

“Borrowing” means the Loans made on the Effective Date.

“Borrowing Base” means, at any time, an amount equal to a traditional conforming borrowing base determined in good faith by the commercial bank lenders under the Revolving Credit Agreement (or any Permitted Refinancing Debt in respect thereof) utilizing their usual and customary oil and gas lending criteria as they exist at such time.

“Borrowing Base Deficiency” has the meaning assigned to such term under the Revolving Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“Borrowing Base Properties” has the meaning assigned to such term under the Revolving Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

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

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; and if such day relates to a Borrowing or continuation of, a payment or prepayment of principal of or interest on a Eurodollar Loan, any day which is also a day on which banks are open for dealings in Dollar deposits in the London interbank market.

“Capital Leases” means, in respect of any Person, all leases that are or should be, in accordance with IFRS, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder. Any lease that was treated as an operating lease under IFRS at the time it was entered into that later becomes a capital lease as a result of a change in IFRS during the life of such lease, including any renewals, shall be treated as an operating lease for all purposes under this Agreement, and any lease that was treated as a capital lease under IFRS at the time it was entered into that later becomes an operating lease as a result of a change in IFRS during the life of such lease, including any renewals, shall be treated as a capital lease for all purposes under this Agreement.

“Cash Equivalents” means cash held in Dollars and all Investments of the type identified in Section 9.05(c) through (f).

“Casualty Event” means any loss, casualty or other insured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Oil and Gas Properties having a fair market value in excess of \$4,000,000; provided that a Casualty Event as a result of loss, casualty or other insured damage shall not be deemed to have occurred (other than for purposes of Section 8.01(k)) if the applicable Loan Party has restored, repaired or replaced the affected Oil and Gas Property in the ordinary course of business within ninety (90) days of such loss, casualty or other insured damage.

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

“Change in Control” means (a) Parent shall at any time after the Effective Date fail to own, in the aggregate, 100% of the then issued and outstanding Equity Interests in Borrower or, except as permitted by Section 9.10, any other direct or indirect Subsidiary of Parent that is a Guarantor, (b) Eric McCrady shall for any reason cease to serve as the Chief Executive Officer of Borrower and is not replaced within 180 days thereafter by a new Chief Executive Officer acceptable to Required Lenders, or (c) Borrower shall cease to own and control 100% of the voting and economic interest in the Equity Interests in each Subsidiary of Borrower which owns Borrowing Base Properties.

“Change in Law” means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that 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 of America 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.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Instrument.

“Commitment” means as to any Lender, the obligation of such Lender to make a Loan hereunder on the Effective Date in the amount set forth opposite such Lender’s name on Annex I under the caption “Commitment”. The aggregate Commitments of the Lenders are \$250,000,000.

“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.

“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 Cash Balance” means, as of the end of any calendar month, (a) the aggregate amount of cash and cash equivalents, marketable securities, treasury bonds and bills, certificates of deposit, investments in money market funds, commercial paper and Cash Equivalents, in each case, held or owned by (either directly or indirectly), credited to the account of or would otherwise be required to be reflected in Consolidated Total Assets less (b) the sum of (i) any restricted cash or Cash Equivalents to pay royalty obligations, working interest obligations, suspense payments, severance taxes, payroll, payroll taxes, other taxes, employee wage and benefit payments and trust and fiduciary obligations or other obligations of the Parent, the Borrower and their Subsidiaries to third parties and for which Parent, the Borrower or such Subsidiary has issued checks or has initiated wires or ACH transfers (or will issue checks or initiate wires or ACH transfers within thirty (30) days) in order to pay, (ii) other amounts for which the Parent, the Borrower or such Subsidiary has issued checks or has initiated wires or ACH transfers but have not yet been subtracted from the balance in the relevant account of the Parent, the Borrower or such Subsidiary, (iii) while and to the extent refundable, any cash or Cash Equivalents of the Parent, the Borrower and their Subsidiaries constituting purchase price deposits held in escrow pursuant to a binding and enforceable purchase and sale agreement with a third party containing customary provisions regarding the payment and

refunding of such deposits and (iv) any Net Cash Proceeds from the issuance of Equity Interests of the Parent.

“Consolidated Cash Balance Threshold” means \$20,000,000.

“Consolidated Interest Expense” means for any period, total cash interest expense (including that attributable to obligations under Capital Leases) of Parent, the Borrower and their Subsidiaries for such period with respect to all outstanding Debt (other than any intercompany indebtedness and any interest expense of any Oil and Gas Property or Person acquired pursuant to an Investment permitted under Section 9.05(h) accrued and paid prior to the date of such acquisition) of Parent, the Borrower and their Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing, and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with IFRS).

“Consolidated Net Income” means with respect to Parent, the Borrower and their Subsidiaries, for any period, the aggregate of the net income (or loss) of Parent, the Borrower and their Subsidiaries after allowances for taxes for such period determined on a consolidated basis in accordance with IFRS; 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 Parent, the Borrower or any Subsidiary has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of Parent, the Borrower and their Subsidiaries in accordance with IFRS), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to Parent, the Borrower or to a Subsidiary, as the case may be; (b) the net income (but not loss) during such period of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with IFRS; (c) the net income (or loss) of any Person acquired in a pooling of interests transaction for any period prior to the date of such transaction; (d) any extraordinary non-cash gains or losses during such period; (e) non-cash gains or losses under IFRS 9 resulting from the net change in mark to market portfolio of commodity price risk management activities during that period; (f) the net income attributable to interest in respect of intercompany indebtedness and (g) any gains or losses attributable to writeups or writedowns of assets; and provided further that if Parent, the Borrower or any Subsidiary shall acquire or dispose of any Property during such period with fair market value or consideration in excess of five percent (5%) of the then effective Borrowing Base, then Consolidated Net Income shall be calculated after giving pro forma effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period; provided that at the Borrower’s sole discretion, such acquisition or dispositions with aggregate fair market value or consideration, as applicable, of less than five percent (5%) of the then effective Borrowing Base may be included in the calculation of Consolidated Net Income after giving pro forma effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period.

“Consolidated Total Assets” means, as of any date of determination, the amount that would, in conformity with IFRS, be set forth opposite the caption “total assets” (or any like caption) on a consolidated statement of financial position of Parent, the Borrower and their Subsidiaries at such date.

“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.

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

“Debt” means, for any Person, the sum of the following (without duplication): (a) all obligations of such Person for borrowed money or evidenced by bonds, bankers’ acceptances, debentures, notes or other similar instruments; (b) all obligations of such Person (whether contingent or otherwise) in respect of letters of credit, surety or other bonds and similar instruments; (c) all accounts payable and all accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property or services that are more than one hundred-twenty (120) days past their invoiced due date, other than those which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with IFRS; (d) all obligations of such Person as lessee under Capital Leases; (e) all obligations under Synthetic Leases; (f) 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, whether or not such Debt is assumed by such Person; (g) 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) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others for the purpose of maintaining the financial position or covenants of others; (i) obligations to deliver commodities, goods or services, including Hydrocarbons, in consideration of one or more advance payments, made more than one month in advance of the month in which the commodities, goods or services are to be delivered other than gas balancing arrangements and/or prepaid drilling obligations in the ordinary course of business; (j) take-or-pay or similar obligations that require such Person to pay for goods or services whether or not such goods or services are not actually received or utilized by such Person; (k) 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; (l) Disqualified Capital Stock; and (m) 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 IFRS. Debt shall not include liabilities resulting from endorsements of instruments for collection in the ordinary course of business.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“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.

“Disqualified Capital Stock” means 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 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, on or prior to the date that is one year after the earlier of (a) Maturity Date and (b) the date on which there are no Loans or other obligations hereunder outstanding.

“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.

“EBITDAX” means, for any period, the sum of Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest, income and franchise taxes (including gross receipts taxes), depreciation, depletion, amortization, exploration expenses and other noncash charges (including expenses relating to stock based compensation, hedging, etc.) minus all noncash income added to Consolidated Net Income.

“EEA Financial Institution” means (a) any credit institution or investment firm 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 financial 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 and Section 6.02 are satisfied (or waived in accordance with Section 12.02).

“Environmental Laws” means any and all Governmental Requirements pertaining in any way to health and safety (insofar as either may be affected by a Release of, or exposure to, Hazardous Materials) 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 Subsidiary is conducting, or at any time has conducted, business, or where any Property of the Borrower or any Subsidiary is located, including, the Oil Pollution Act of 1990, 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 Act, as amended, the Natural Gas Pipeline Safety Act of 1968, as amended, the Hazardous Liquid Pipeline Safety Act of 1979, as amended, and other environmental conservation or protection Governmental Requirements.

“Environmental Permit” means any permit, registration, license, notice, 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.

“ERISA Affiliate” means each trade or business (whether or not incorporated) which together with any Group Member 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.

“ERISA Event” means (a) a Reportable Event with respect to any Plan subject to Title IV of ERISA, (b) the withdrawal of the Borrower or any of its Subsidiaries or ERISA Affiliates from a Plan subject to Title IV of ERISA during a plan year in which it was a “substantial employer” (as defined in Section 4001(a)(2) of ERISA), (c) the providing of notice of intent to terminate a Plan in a distress termination (as described in Section 4041(c) of ERISA), (d) the institution by the PBGC of proceedings to terminate a Plan or a Multiemployer Plan or, (e) any event or condition (i) that provides a basis under Section 4042(a)(1), (2), or (3) of ERISA for the termination of, or the appointment of a trustee to administer, any Plan subject to Title IV of ERISA, or (ii) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA, or (f) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of the Borrower, any of its Subsidiaries or ERISA Affiliates from a Multiemployer Plan.

“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 such Loan, or the Loans comprising such Borrowing, 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 are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with IFRS; (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 IFRS; (c) landlord’s liens (including liens granted to the lessor of any oil and gas lessor and any financing statement giving notice thereof), operators’, vendors’, carriers’, warehousemen’s, repairmen’s, mechanics’, suppliers’, workers’, materialmen’s, construction or other like Liens arising by operation of law or otherwise in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Properties 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 IFRS; (d) contractual Liens which arise in the ordinary course of business under real property leases, 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, service agreements, supply 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 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 IFRS, provided that any such Lien referred to in this clause does not materially impair the use of the Property covered by such Lien for the purposes for which such Property is held by any Group Member or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory or common law provision or customary deposit account terms relating to banker’s liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, provided that no such deposit account is a dedicated cash collateral account or is

subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board and no such deposit account is intended by any Group Member to provide collateral to the depository institution to secure any Debt (other than pursuant to the Loan Documents); (f) zoning and land use requirements, easements, restrictions, servitudes, permits, conditions, covenants, rights-of-way, building codes, exceptions or reservations in any Property of any Group Member for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such Property for the purposes of which such Property is held by any Group Member or materially impair the value of such Property subject thereto; (g) 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 and not in connection with the borrowing of money; (h) 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; (i) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted hereunder to be applied against the purchase price for such Investment, and (ii) consisting of an agreement to sell or otherwise dispose of any Property permitted hereunder, in each case, solely to the extent such Investment or disposition, as the case may be, would have been permitted on the date of the creation of such Lien; and (j) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto; provided, that Liens described in clauses (a) through (e) above shall remain "Excepted Liens" only for so long as no action to enforce such Lien has been commenced, and no intention to subordinate the Liens, subordinate to only that of the Senior Liens, if any, otherwise granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Excepted Liens.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document, (a) Taxes imposed on or measured by net income (however denominated), state franchise Taxes, and branch profits Taxes, in each case, (i) by the United States of America (or any political subdivision thereof) or such other jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 5.04) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 5.02, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to any such recipient's failure to comply with Section 5.02(e), and (d) any United States federal withholding Tax that is imposed under FATCA.

"Executive Order" has the meaning assigned to such term in Section 7.26(a).

"Existing Credit Facilities" means the credit facilities of the Borrower and the Loan Parties pursuant to that certain Credit Agreement, dated as of May 14, 2015, by and among Morgan Stanley Energy Capital Inc., the lenders party thereto, the Borrower and the Parent.

“FATCA” means Sections 1471 through 1474 of the Code, as of the Effective Date (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 practices adopted pursuant to such intergovernmental agreement.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means that certain fee letter dated as of March 13, 2018 between the Borrower and the Administrative Agent.

“Financial Officer” means, for any Person, the Chief Executive Officer, Chief Financial Officer, Vice President of Finance, principal accounting officer, treasurer or controller of such Person. Unless otherwise specified, all references herein to a Financial Officer means a Financial Officer of the Borrower.

“fiscal quarter” means each fiscal quarter ending on the last day of each March, June, September and December.

“fiscal year” means each fiscal year of the Borrower and its Subsidiaries for accounting and tax purposes, ending on December 31 of each year.

“Flood Insurance Regulations” means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC § 4001, et seq.), as the same may be amended or recodified from time to time, (d) the Flood Insurance Reform Act of 2004, and (e) the Biggert-Waters Flood Reform Act of 2012, and any regulations promulgated thereunder.

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

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

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“Group Members” means the collective reference to Parent, the Borrower and their respective Subsidiaries.

“Guarantee and Collateral Agreement” means an agreement executed by the Guarantors in substantially the form of Exhibit F-2, as the same may be amended, modified or supplemented from time to time.

“Guarantors” means Parent and each Material Subsidiary (as of the Effective Date and those that guarantee the Secured Obligations pursuant to Section 8.14(b)).

“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 (including drilling fluids and any produced water), crude oil, and any components, fractions, or derivatives thereof; and (c) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, infectious materials 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 Secured 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.

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

“IFRS” means International Financial Reporting Standards (or Australian Accounting Standards, which are substantially the same as International Financial Reporting Standards), including International Accounting Standards and Interpretations together with their accompanying documents, which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the “IASC Foundation”), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation, as in effect from time to time subject to the terms and conditions set forth in Section 1.04.

“Immaterial Subsidiary” means any Subsidiary that is not a Material Subsidiary.

“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 Loan Party under any Loan Document and (b) to the extent not otherwise described in clause (a) above, Other Taxes.

“Indemnitee” has the meaning set forth in Section 12.03(b).

“Initial Reserve Report” means the Ryder Scott Company Petroleum Consultants, L.P. reserve report dated January 1, 2018.

“Intercompany Debt” means Debt among Loan Parties which is unsecured and subordinated in right of payment to the payment in full of all of the Secured Obligations in a manner and on terms and conditions reasonably satisfactory to Administrative Agent and is not held, assigned, transferred, negotiated or pledged to any Person other than a Loan Party.

“Intercreditor Agreement” means that certain intercreditor agreement of even date herewith among the Borrower, the Guarantors, the Revolving Agent, as Senior Representative, the Administrative Agent, as Second Priority Representative, as the same may be amended, modified, supplemented, restated, replaced or otherwise modified from time to time.

“Interest Payment Date” means the last Business Day of each March, June, September and December.

“Investment” means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person (including 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 deposit with, or advance, loan or capital contribution to, assumption of Debt of, purchase or other acquisition of any other Debt of 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 ninety (90) days representing the purchase price of goods or services 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 (d) the entering into of any guarantee of, or other contingent obligation (including the deposit of any Equity Interests to be sold) with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

“January 1 Reserve Report” has the meaning set forth in Section 8.12(a).

“Lenders” means the Persons listed on Annex I and any Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

“LIBO Rate” means, with respect to any Eurodollar Loan, the greater of (a) 1.00% and (b) the rate (rounded upwards, if necessary, to the next 1/100 of 1%) determined on the basis of the rate for deposits in dollars for a period equal to three months appearing on the applicable Reuters screen (or on any successor or substitute screen of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such screen of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 A.M., London time, two Business Days prior to such date, as the rate for Dollar deposits with a three month maturity. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Loan for such three month period shall be the rate (rounded upwards, if necessary, to the next 1/100 of 1%) at which Dollar deposits of an amount comparable to such Eurodollar Loan and for a three month maturity are offered by the principal London office of the Administrative Agent (or such other commercial bank

reasonably selected by the Administrative Agent) in immediately available funds in the London interbank market at approximately 11:00 A.M., London time, two Business Days prior to such date.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties. The term “Lien” shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations that burden Property to the extent they secure an obligation owed to a Person other than the owner of the Property. For the purposes of this Agreement, the Loan Parties shall be deemed to be the owner of any Property which they have acquired or hold 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.

“Liquidity” means, as of any date of determination, the sum of (a) the unused aggregate Borrowing Base on such date plus (b) the aggregate amount of Unrestricted Cash and Cash Equivalents of the Parent, the Borrower and their Subsidiaries at such date minus (c) the amount of any Borrowing Base Deficiency on such date.

“Loan Documents” means this Agreement, the Notes, the Security Instruments, the Intercreditor Agreement, the Fee Letter and any other agreement entered into, now or in the future, in connection with this Agreement.

“Loan Party” means the Borrower and each Guarantor.

“Loans” means the loans made by the Lenders to the Borrower pursuant to this Agreement.

“Make Whole Amount” means the sum of the interest payments (without discount) that would have accrued and been paid in accordance with Section 3.02 on the principal amount of (a) all Loans optionally prepaid under Section 3.04, (b) all Loans mandatorily prepaid under Section 3.04, and (c) all Loans accelerated or that otherwise become due upon the occurrence of a Make Whole Event, in each case if such principal amount of Loans had been outstanding from the date of prepayment or such Make Whole Event to the first anniversary of Effective Date, as determined by the Administrative Agent.

“Make Whole Event” has the meaning set forth in Section 10.02(a).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, Property, assets, liabilities (actual or contingent), condition (financial or otherwise) of the Borrower and the other Loan Parties taken as a whole, (b) the ability of the Loan Parties to perform the obligations under the Loan Documents, (c) the validity or enforceability of any Loan Documents against the Loan Parties, or (d) the rights and remedies of or benefits available to the Administrative Agent, any other Agent or any Lender under any Loan Document.

“Material Indebtedness” means (a) the Revolving Debt and (b) Debt (other than the Loans), or obligations in respect of one or more Swap Agreements, of any one or more of any Loan Party in an aggregate principal amount exceeding \$5,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of any Loan Party in respect of any Swap Agreement at any time shall be the Swap Termination Value.

“Material Subsidiary” means, at any date of determination, each Subsidiary of Parent or the Borrower whose Total Assets at the last day of the period for which financial statements have been delivered under Section 8.01(a) or (b) were equal to or greater than 10% of the Consolidated Total Assets of Parent and the Borrower and the Subsidiaries at such date; provided that if, at any time and from time to time after the Effective Date, Subsidiaries that are not Material Subsidiaries have, in the aggregate Total Assets at the last day of such test period equal to or greater than 10% of the Consolidated Total Assets of Parent and the Borrower and the Subsidiaries at such date determined in accordance with IFRS, then the Borrower shall, on the date on which financial statements for such quarter are delivered pursuant to this Agreement, designate in writing to the Administrative Agent one or more of such Subsidiaries as “Material Subsidiaries” such that, after giving effect to such designation, the aggregate Total Assets of the Subsidiaries that are not Material Subsidiaries do not exceed 10% of the Consolidated Total Assets of Parent and the Borrower and their Subsidiaries at such date.

“Maturity Date” means April 23, 2023.

“Money Laundering Law” means any law governing conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership or control of money (including currency or equivalents, e.g., checks, electronic transfers, etc.) to avoid a transaction reporting requirement under state or federal law or to disguise the fact that the money was acquired by illegal means.

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

“Mortgage” means each of the mortgages or deeds of trust executed by any one or more Loan Parties for the benefit of the Secured Parties as security for the Secured Obligations, together with any assumptions or assignments of the obligations thereunder by any Loan Party, and “Mortgages” shall mean all of such Mortgages collectively.

“Mortgaged Property” means any Property owned by any Loan Party which is subject to the Liens existing and to exist under the terms of the Security Instruments.

“MSECI” has the meaning set forth in the preamble hereto.

“Multiemployer Plan” means a multiemployer plan, as defined in section 3(37) or 4001(a)(3) of ERISA, that is subject to Title IV of ERISA and to which the Borrower, a Subsidiary or an ERISA Affiliate is making or accruing an obligation to make contributions or was obligated to make contributions within the last six (6) years.

“Net Cash Proceeds” means (a) in the case of any Transfer or termination of a Swap Agreement, the amount equal to the gross cash proceeds received by the Borrower or any Subsidiary from such Transfer or termination less each of the following (without duplication): (i) the amount utilized to permanently repay Revolving Debt (and permanently reduce commitments with respect thereto) secured by the asset subject of such Transfer, (ii) commissions, legal, accounting and other professional fees and expenses, Taxes paid (or reasonably estimated to be payable) during the year that such Transfer occurred or the next succeeding year in connection with such Transfer (after taking into account any available tax credits or deductions and any tax sharing arrangements), and other usual and customary transaction costs, including, without limitation, indemnification and other post-closing obligations and reserves related to any such Transfer or termination, in each case only to the extent paid or payable by a Loan Party in cash and related to such Transfer or termination, respectively and (iii) all amounts paid for the early termination of Swap Agreements required as a result of such Transfer; and (b) in connection with any issuance of any Equity Interests, the gross cash proceeds received from such issuance net of attorneys’ fees, investment banking

fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

"New Debt" has the meaning assigned to such term in the definition of "Permitted Refinancing Debt."

"Non-Consenting Lender" means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all or all affected Lenders in accordance with the terms of Section 12.02 and (ii) has been approved by the Required Lenders.

"Non-U.S. Lender" means a Lender, with respect to the Borrower, that is not a U.S. Person.

"Notes" means the promissory notes, if any, of the Borrower described in Section 2.02(c) and being substantially in the form of Exhibit A, together with all amendments, modifications, replacements, extensions and rearrangements thereof.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Oil and Gas Properties" means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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 qualified, all references to a "Oil and Gas Property" or to "Oil and Gas Properties" in this Agreement shall refer to the Oil and Gas Properties of the Loan Parties.

"Organizational Documents" means (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to such corporation's jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the

jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Other Connection Taxes” means with respect to any Credit Party, Taxes imposed as a result of a present or former connection between such Credit Party and the jurisdiction imposing such Tax (other than connections arising from such Credit Party 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 all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 5.04).

“Parent” has the meaning set forth in the preamble hereto.

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

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

“Patriot Act” has the meaning assigned to such term in Section 12.16.

“Payment in Full” has the meaning assigned to such term in Section 12.18(a).

“PBGC” means the Pension Benefit Guaranty Corporation as defined in Title IV of ERISA, or any successor thereto.

“Permitted Refinancing Debt” means Debt (for purposes of this definition, “New Debt”) incurred in exchange for, or proceeds of which are used to refinance, all of any other Debt (the “Refinanced Debt”); provided that (a) such New Debt is in an aggregate principal amount not in excess of the sum of (i) the aggregate principal amount then outstanding of the Refinanced Debt (or, if the Refinanced Debt is exchanged or acquired for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, such lesser amount) and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such exchange or refinancing; (b) such New Debt has a stated maturity no earlier than the stated maturity of the Refinanced Debt and a weighted average life no shorter than the weighted average life of the Refinanced Debt; (c) such New Debt does not have compensatory economics (including, without limitation, stated interest rate, payment-in-kind interest rates, interest rate floors, make-whole payments, original issue discount, premiums, fees and other similar components of interest or yield) in excess of the same of the Refinanced Debt; (d) such New Debt does not contain any covenants which, taken as a whole, are more onerous to Parent, the Borrower and their Subsidiaries than those imposed by the Refinanced Debt; (e) if such Refinanced Debt was subordinated, such New Debt (and any guarantees thereof) is subordinated in right of payment to the Secured Obligations to at least the same extent as the Refinanced Debt and is otherwise subordinated on terms reasonably satisfactory to the Administrative Agent; and (f) if such Refinanced Debt is the Revolving Debt, such New Debt is subject to the Intercreditor Agreement or any replacement thereof acceptable to the Required Lenders.

“Permitted Transfer” means a Transfer of Oil and Gas Properties of the Loan Parties in Dimmit County, Texas for an aggregate fair market value in any one transaction or series of transactions of at least \$10,000,000.

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

“Petroleum Industry Standards” means the Definitions for Oil and Gas Reserves promulgated by the Society of Petroleum Engineers (or any generally recognized successor) as in effect at the time in question.

“Plan” means any employee pension benefit plan, as defined in section 3(2) of ERISA but excluding any Multiemployer Plan, which (a) is currently or hereafter sponsored, maintained or contributed to by the Borrower, a Subsidiary or an ERISA Affiliate or (b) was at any time during the six calendar years preceding the date hereof, sponsored, maintained or contributed to by the Borrower or a Subsidiary or an ERISA Affiliate.

“Prohibited Transaction” has the meaning assigned to such term in Section 406 of ERISA and Section 4975(c) of the Code.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Proved Reserves” means oil and gas reserves that, in accordance with Petroleum Industry Standards, are classified as both “Proved Reserves” and one of the following: (a) “Developed Producing Reserves”, (b) “Developed Non-Producing Reserves” or (c) “Undeveloped Reserves”.

“RCRA” has the meaning assigned to such term within 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.

“Refinanced Debt” has the meaning assigned to such term in the definition of “Permitted Refinancing Debt”.

“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.

“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.

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

“Reportable Event” means any of the events described in Section 4043(c) of ERISA or the regulations thereunder other than a Reportable Event as to which the provision of 30 days’ notice to the PBGC is waived under applicable regulations.

“Required Hedges” means Swap Agreements entered into by the Borrower at prices reasonably acceptable to the Administrative Agent on not less than (a) 70% of the reasonably projected production from the Proved Reserves classified as “Developed Producing Reserves” attributable to any Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, through April 23, 2023 as reflected in the Initial Reserve Report and (b) 50% of the reasonably projected production from the Proved Reserves classified as “Developed Producing Reserves” attributable to any Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for a rolling 36 months period thereafter as reflected in the most recently delivered Reserve Report. Notwithstanding the foregoing, if the Borrower and the Required Lenders agree in writing (including by email), then the Required Hedges may instead be Swap Agreements entered into by the Borrower on a percentage of projected production from the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, on terms and conditions (including pricing, percentages, notional volumes, the projections upon which such percentages and notional volumes are based, tenor and other terms and conditions) that are reasonably acceptable to the Required Lenders and agreed to by the Borrower.

“Required Lenders” means, (a) at any time there are three (3) or fewer Lenders, all Lenders and (b) at any time there are more than three (3) Lenders, Lenders having greater than two-thirds (66.67%) of the aggregate unpaid principal amount of the Loans then outstanding.

“Reserve Report” means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of the dates set forth in Section 8.12(a) (or such other date a report is provided to Revolving Lenders pursuant to Section 8.12 of the Revolving Credit Agreement), the Proved Reserves attributable to the Oil and Gas Properties of the Borrower and the other Loan Parties located in the United States of America (which, for the avoidance of doubt, shall be net of any third party interest in such Oil and Gas Properties pursuant to any agreement described in clause (d) of the definition of “Excepted Liens”), 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 economic assumptions consistent with the Administrative Agent’s lending requirements at the time.

“Responsible Officer” means, as to any Person, the Chief Executive Officer, the President, any Financial Officer or any Vice President of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean 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 Person, 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, conversion, cancellation or termination of any such Equity Interests.

“Revolving Agent” means Natixis, New York Branch in its capacity as the Administrative Agent under the Revolving Credit Agreement or any replacement thereunder or under any Permitted Refinancing Debt thereunder.

“Revolving Credit Agreement” means that certain revolving credit agreement dated as of the date hereof among the Parent, the Borrower, the Revolving Agent and the lenders party thereto.

“Revolving Debt” has the meaning assigned to the term “Secured Obligations” under the Revolving Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“Revolving Lenders” has the meaning assigned to the term “Lenders” under the Revolving Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“Revolving Loan Documents” has the meaning assigned to the term “Loan Documents” under the Revolving Credit Agreement or any similar term under any Permitted Refinancing Debt in respect thereof.

“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.

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

“Secured Obligations” means any and all amounts owing or to be owing by any Loan Party (a) to the Administrative Agent or any Lender under any Loan Document and (b) all renewals, extensions and/or rearrangements of any of the foregoing, in each case, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising (including interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding).

“Secured Parties” means, collectively, the Administrative Agent, each Lender, each Indemnitee, each other Agent, and any other Person owed Secured Obligations and “Secured Party” means any of them individually.

“Secured Swap Provider” has the meaning assigned to such term in the Revolving Credit Agreement or any similar term in any Permitted Refinancing Debt in respect thereof.

“Security Instruments” means the Guarantee and Collateral Agreement, mortgages, deeds of trust and other agreements, instruments or certificates described or referred to in Exhibit F-1, and any and all other agreements, instruments, consents or certificates now or hereafter executed and delivered by the Borrower, the other Loan Parties or any other Person (other than participation or similar agreements between any Lender and any other lender or creditor with respect to any Secured Obligations pursuant to this Agreement) in connection with, or as security for the payment or performance of the Secured Obligations, the Notes, or this Agreement, as such agreements may be amended, modified, supplemented or restated from time to time.

“Senior Liens” means the Liens securing the Revolving Debt to the extent permitted by the Intercreditor Agreement.

“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 percentages (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 percentages 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.

“Subsidiary” means as to any Person, a corporation, partnership, limited liability company or other entity of which more than 50% of whose shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) are at the time owned, directly or indirectly through one or more

intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a direct or indirect Subsidiary or Subsidiaries of Parent.

“Swap Agreement” means any agreement with respect to any swap, cap, collar, forward, floor, future or derivative transaction or option (including any put or similar contract) 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 (including any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act); 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 Loan Party shall be a Swap Agreement.

“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, (a) 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 (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined by the counterparties to such Swap Agreements.

“Synthetic Leases” means, in respect of any Person, all leases which shall have been, or should have been, in accordance with IFRS, 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 imposed by any Governmental Authority.

“Total Debt” means, at any date, all Debt of Parent, the Borrower and their Subsidiaries on a consolidated basis, other than intercompany Debt.

“Total Assets” means, as of any date of determination with respect to any Person, the amount that would, in conformity with IFRS, be set forth opposite the caption “total assets” (or any like caption) on a balance sheet of such Person at such date.

“Total Proved PV-9” means, as of any date of determination thereof with respect to the Oil and Gas Properties described in the then most recent Reserve Report delivered to the Administrative Agent pursuant to Section 8.12(a), Section 8.12(b) or otherwise, the net present value, discounted at nine percent (9%) per annum, of the future net revenues expected to accrue to the Loan Parties’ collective interest in such Oil and Gas Properties from the date of such determination during the remaining expected economic lives of such Oil and Gas Properties. Each calculation of such expected future net revenues shall be made in accordance with SEC guidelines for reporting proved oil and gas reserves, provided that in any event (a) appropriate deductions shall be made for severance and ad valorem taxes, and for operating, gathering, transportation and marketing costs required for the production and sale of such Oil and Gas Properties, (b) the pricing assumptions used in determining Total Proved PV-9 for any Oil and Gas Properties shall be based upon the Strip Price, adjusted for local basis differentials or premiums and transportation costs and to reflect the Loan Parties’ Swap Agreements then in effect, in each case as determined in the Administrative Agent’s reasonable discretion and (c) the cash-flows derived from the pricing assumptions set forth in clause (b)

shall be further adjusted to account for the historical basis differential in a manner reasonably acceptable to the Administrative Agent; provided however, that for purposes of this calculation, no more than 40% of the Total Proved PV-9 shall be attributable to Oil and Gas Properties described in the Reserve Report that constitute Proved Reserves classified as “Developed Non-Producing Reserves” and “Undeveloped Reserves”. The amount of Total Proved PV-9 at any time shall be calculated on a pro forma basis as of the date of any calculation thereof for (i) production and depletion during the period from the “as of” date of the Reserve Report through the date of determination and (ii) dispositions and acquisitions of Oil and Gas Properties with fair market value or consideration in excess of five percent (5%) of the then effective Borrowing Base consummated by the Loan Parties since the date of the Reserve Report most recently delivered hereto; provided that, (A) in the case of any such acquisition, the Administrative Agent shall have received a Reserve Report evaluating the Proved Reserves attributable to the Oil and Gas Properties subject thereto and (B) that at the Borrower’s sole discretion, the amount of Total Proved PV-9 at any time may be calculated on a pro forma basis as of the date of any calculation thereof for acquisition or dispositions with aggregate fair market value or consideration, as applicable, of less than five percent (5%) of the then effective Borrowing Base if, in the case of any such acquisition, the Administrative Agent shall have received a Reserve Report evaluating the Proved Reserves attributable to the Oil and Gas Properties subject thereto. As used herein, “Strip Price” shall mean as of any date of determination, the forward month prices as of the last Business Day of the fiscal year or fiscal quarter of the Parent immediately preceding such date of determination for the most comparable hydrocarbon commodity applicable to such future production month for a four-year period (or such shorter period if forward month prices are not quoted for a reasonably comparable hydrocarbon commodity for the full four year period), with such price held flat for each subsequent year based on the average forward month price for each of the twelve months in such fourth year, as such prices are quoted on the NYMEX (or its successor) as of the date of determination, without future escalation; provided that with respect to estimated future production for which prices are defined, within the meaning of SEC guidelines, by contractual arrangements excluding escalations based upon future conditions, then such contract prices shall be applied to future production subject to such arrangements.

“Transaction Support Agreement” means that certain Transaction Support Agreement, dated as of even date herewith, among Borrower, Pioneer Natural Resources Company, a Delaware corporation, Newpek, LLC, a Delaware limited liability company, and Reliance Holding USA, Inc., a Delaware corporation.

“Transactions” means, (I) with respect to (a) the Borrower, the execution, delivery and performance by the Borrower of this Agreement, each other Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof, the Borrower’s grant of the security interests and provision of collateral under the Security Instruments and Borrower’s grant of Liens on Mortgaged Properties (if applicable) and other Properties pursuant to the Security Instruments and (b) each other Loan Party, the execution, delivery and performance by such Loan Party of each Loan Document to which it is a party, the guaranteeing of the Secured Obligations and the other obligations under the Guarantee and Collateral Agreement by such Loan Party and such Loan Party’s grant of the security interests and provision of collateral under the Security Instruments, and the grant of Liens by such Guarantor on Mortgaged Properties (if applicable) and other Properties pursuant to the Security Instruments and (II) the Acquisition pursuant to the terms of the Acquisition PSA.

“Transfer” has the meaning set forth in Section 3.04(c).

“TSA Bonds” means the Performance Bonds (as defined in the Transaction Support Agreement) issued under and in accordance with the Transaction Support Agreement.

“TSA Indemnity Agreements” means any indemnity agreements entered into by any Loan Party in favor of Philadelphia Indemnity Insurance Company, as surety, in respect of the TSA Bonds.

“TSA Letters of Credit” means the Letters of Credit (as defined in the Transaction Support Agreement) issued under and in accordance with the Transaction Support Agreement.

“Unrestricted Cash” means cash and Cash Equivalents of the Parent, the Borrower and their Subsidiaries that would not appear as “restricted” on a consolidated balance sheet of the Parent, Borrower and their Subsidiaries.

“U.S. Person” means a Person that is a “United States person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” has the meaning assigned to such term in Section 5.02(g)(ii) (B)(3).

“Vitol Prepayment Contract” means that certain purchase contract (contract no. 3131601), dated as of July 31, 2017, pursuant to which the Borrower, as seller, has agreed to sell certain volumes of crude oil to Vitol, Inc., Crude Oil Marketing Division, USA, as buyer, together with that certain Prepayment Addendum to Purchase Contract dated of even date (as either of the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time).

“Vitol Prepayments” has the meaning set forth in Section 7.23.

“Wholly-Owned Subsidiary” means any Subsidiary of which all of the outstanding Equity Interests (other than any directors’ qualifying shares mandated by applicable law), on a fully-diluted basis, are owned by the Borrower, the Guarantors and/or one or more of the Wholly-Owned Subsidiaries.

“Withholding Agent” means any Loan 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 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” shall be deemed to be followed by the phrase “without limitation”, and the word “or” is not exclusive. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument, certificate, organizational document or other document as from time to time amended, supplemented, restated or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Loan Documents), (b) 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, (c) 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), (d) 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, (e) with respect to the determination of any time period, the word “from” means “from and including” and the word “to” and “until” means “to but excluding” and the word “through” means “to and including” and (f) 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 1.04 Accounting Terms and Determinations: IFRS. 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 IFRS, applied on a basis consistent with the initial financial statements delivered under Section 8.01, except for changes in which Parent's independent certified public accountants concur and which are disclosed to the Administrative Agent on the next date on which financial statements are required to be delivered to the Lenders pursuant to Section 8.01(a); provided that, unless the Borrower and the Required Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants contained herein is computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods.

Section 1.05 Timing of Payment or Performance. If the day specified in this Agreement for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

ARTICLE II The Credits

Section 2.01 Loans. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower on the Effective Date in an aggregate principal amount not to exceed the amount of the Commitment of such Lender; provided that the Loans shall be issued with an original issue discount of 2.0% of par. Within the foregoing limits and subject to the terms and conditions set forth herein, including, without limitation, Section 3.04, the Borrower may prepay the Loans; provided, however amounts prepaid on account of the Loans may not be reborrowed. Each Lender's Commitment shall terminate at 4:00 PM (New York City time) on the Effective Date and shall not thereafter be available.

Section 2.02 Loans and Borrowings.

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

(b) Eurodollar Loans. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) Notes. If requested by a Lender, each Loan made by such Lender shall be evidenced by a single Note of the Borrower, dated, in the case of (i) any Lender party hereto as of the date of this Agreement, as of the date of this Agreement or (ii) any Lender that becomes a party

hereto pursuant to an Assignment and Assumption, as of the effective date of the Assignment and Assumption, payable to such Lender in a principal amount equal to its outstanding Loans as in effect on such date, and otherwise duly completed. The date, amount, and interest rate of each Loan made by such Lender, and all payments made on account of the principal thereof, shall be recorded by such Lender on its books for its Note, and, prior to any transfer, may be recorded by such Lender on a schedule attached to such Note or any continuation thereof or on any separate record maintained by such Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of its Note. Upon request of the Borrower, promptly following Payment in Full, each Lender shall return to the Borrower any Note issued to it, or in the case of any loss, theft or destruction of any such Note, a lost note affidavit in customary form.

Section 2.03 Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone or other electronic communication acceptable to the Administrative Agent, not later than 12:00 noon, New York City time, the Business Day immediately prior to the date of the proposed Borrowing. Each such telephonic or other electronic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery, telecopy or other electronic communication to the Administrative Agent of a written Borrowing Request in substantially the form of Exhibit B and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day; and
- (iii) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04 Funding of Borrowings.

(a) **Funding by the Lenders.** Each Lender shall make each Loan to be made by it hereunder on the Effective Date by wire transfer of immediately available funds by 2:00 P.M., New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Borrowing Request. Nothing herein shall be deemed to obligate any Lender to obtain the funds for its Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for its Loan in any particular place or manner.

(b) **Presumption of Funding by the Lenders.** Unless the Administrative Agent shall have received notice from a Lender prior to the Effective Date that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.04(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower

severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to the Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

ARTICLE III

Payments of Principal and Interest; Prepayments; Fees

Section 3.01 Repayment of Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date.

Section 3.02 Interest.

(a) Loans. The Loans shall bear interest at a rate per annum equal to the Adjusted LIBO Rate plus 8.00%, but in no event to exceed the Highest Lawful Rate.

(b) Post-Default Rate. Notwithstanding the foregoing, immediately upon the occurrence and during the continuance of an Event of Default under Section 10.01(a), (b), (h) or (i), all outstanding amounts hereunder and under any other Loan Document shall bear interest, after as well as before judgment, at the rate then applicable to such amount payable plus an additional two percent (2.0%), but in no event to exceed the Highest Lawful Rate.

(c) Interest Payment Dates. Accrued interest on each Loan shall be payable quarterly in arrears on each Interest Payment Date for such Loan and on the Maturity Date; provided that (i) interest accrued pursuant to Section 3.02(b) shall be payable on demand and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment.

(d) Interest Rate Computations. All interest hereunder 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 in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable 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 Alternate Rate of Interest. If:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate;

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or LIBO Rate, as applicable, will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans; or

(c) the Administrative Agent is advised by a Lender that it has become unlawful for such Lender or its applicable lending office to honor its obligation to make or maintain Eurodollar Loans;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, such Borrowing shall be made at an alternate rate of interest reasonably determined by the Required Lenders or the applicable Lender(s) (in the case of clause (c)), in consultation with the Borrower, as their cost of funds. If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in Section 3.03(a) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 3.03(a) have not arisen but the supervisor for the administrator of the LIBO Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Rate shall no longer be used for determining interest rates for loans, then the Administrative Agent, in consultation with the Required Lenders and the Borrower, shall endeavor in good faith to establish an alternate rate of interest to the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and the Borrower and the Administrative Agent shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 12.02, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five (5) Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment.

Section 3.04 Prepayments.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay the Loans in whole or in part, subject to prior notice in accordance with Section 3.04(b) and the payment of any premium or penalty in accordance with Section 3.04(d). Amounts prepaid on the account of the Loans may not be reborrowed.

(b) Notice and Terms of Optional Prepayment. The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy or other electronic transmission) of any prepayment hereunder, not later than 12:00 noon, New York City time, three Business Days before the date of prepayment (or such shorter period as the Administrative Agent may agree). Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of Loans to be prepaid; provided any notice of prepayment pursuant to a notice delivered by the Borrower pursuant to this Section 3.04(b) may be made to be contingent upon the consummation of a refinancing, effectiveness of other credit facilities or another transaction and such notice may otherwise be extended or revoked. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of the Loans shall be in an amount that would be permitted in the case of an advance of a Borrowing as provided in Section 2.02.

(c) Mandatory Prepayments of Loans Upon Sale of Assets or Termination of Swap Agreements. If (A) the Borrower or any Subsidiary sells, assigns, farms-out, conveys or otherwise transfers (each, a "Transfer") Oil and Gas Properties to which Proved Reserves are attributed (or the Equity Interests of any Subsidiary owning such Oil and Gas Properties) or terminates any Swap Agreement, and (B) the fair market value of all such Transfers and the Swap Termination Value of

such terminations of Swap Agreements made since the last date on which the Borrower has made prepayment under this Section 3.04(c) exceeds:

(i) \$1,000,000 but is less than \$10,000,000, then, subject to the reinvestment rights set forth in this Section 3.04(c)(i), the Borrower shall, subject to the last sentence of this Section 3.04(c), prepay the Loans as contemplated by this Section 3.04(c) and Section 3.04(d) together with interest, Applicable Premium Amount and Make Whole Amount, if any, on the amount so prepaid, in an amount equal to 100% of the Net Cash Proceeds of all such Transfers and terminations of Swap Agreements. Such repayment shall be due on the next Business Day following the receipt of such Net Cash Proceeds unless (1) prior to such date, the Borrower has given the Administrative Agent and the Lenders written notice that it intends to utilize the Net Cash Proceeds to purchase additional domestic onshore Oil and Gas Properties similar to those that are the subject of such Transfer or to fund drilling, development and other related expenses associated with its drilling plan and (2) thereafter, within ninety (90) days after the closing of such Transfer or termination of Swap Agreement (or one hundred thirty-five (135) days after the closing of such Transfer or termination of Swap Agreement if the Borrower or a Subsidiary has entered into a definitive purchase agreement within ninety (90) days after the closing of such Transfer or termination of Swap Agreement), the Borrower has so utilized such funds. To the extent on such 90th (or 135th) day, any Net Cash Proceeds remain which have not been so utilized, the Borrower shall make a prepayment of the Loans in an amount equal to the amount of such remaining Net Cash Proceeds;

(ii) \$10,000,000 (other than Permitted Transfers) and the ratio of Total Proved PV-9 to Total Debt (calculated giving pro forma effect to such Transfer) is less than 2.25 to 1.00, then (A) the Borrower shall within five (5) Business Days of completing such Transfer, make an offer to prepay, subject to the last sentence of this Section 3.04(c), the Loans, together with interest, Applicable Premium Amount and Make Whole Amount, if any, on the amount so offered, in an amount equal to 100% of the Net Cash Proceeds of all such Transfers and terminations of Swap Agreements and (B) each Lender shall have an option to accept or decline (by giving the Administrative Agent and the Borrower written notice of its election within three (3) Business Days of receipt of such notice) its ratable share of such Net Cash Proceeds. Any Net Cash Proceeds not accepted may be used by the Borrower for any purpose not prohibited by this Agreement; or

(iii) \$10,000,000 (other than Permitted Transfers) and the ratio of Total Proved PV-9 to Total Debt (calculated giving pro forma effect to such Transfer) is equal to or greater than 2.25 to 1.00, then, subject to the reinvestment rights set forth in this Section 3.04(c)(iii), the Borrower shall prepay, subject to the last sentence of this Section 3.04(c), the Loans as contemplated by this Section 3.04(c) and Section 3.04(d) together with interest, Applicable Premium Amount and Make Whole Amount, if any, on the amount so prepaid, in an amount equal to 100% of the Net Cash Proceeds of all such Transfers and terminations of Swap Agreements. Such repayment shall be due on the next Business Day following the receipt of such Net Cash Proceeds unless (1) prior to such date, the Borrower has given the Administrative Agent and the Lenders written notice that it intends to utilize the Net Cash Proceeds to purchase additional domestic onshore Oil and Gas Properties similar to those that are the subject of such Transfer or to fund drilling, development and other related expenses associated with its drilling plan and (2) thereafter, within ninety (90) days after the closing of such Transfer or termination of Swap Agreement (or one hundred thirty-five (135) days after the closing of such Transfer or termination of Swap Agreement if the Borrower or a Subsidiary has entered into a definitive purchase agreement within

ninety (90) days after the closing of such Transfer or termination of Swap Agreement), the Borrower has so utilized such funds. To the extent on such 90th (or 135th) day, any Net Cash Proceeds remain which have not been so utilized, the Borrower shall make a prepayment of the Loans in an amount equal to the amount of such remaining Net Cash Proceeds.

Notwithstanding the foregoing, no prepayment pursuant to clauses (i) through (iii) of this Section 3.04(c) shall be required to the extent that the Liquidity, determined after giving pro-forma effect to such prepayment, is less than thirty percent (30%) of the then effective Borrowing Base.

(d) Premium or Penalty.

(i) All (A) optional prepayments of Loans permitted under this Section 3.04 and (B) mandatory prepayments of Loans required under this Section 3.04 made prior to the third anniversary of the Effective Date, in each case shall be accompanied by an amount equal to the aggregate principal amount of the Loans being prepaid multiplied by the Applicable Premium then in effect (such amount, the “Applicable Premium Amount”).

(ii) In addition to such Applicable Premium Amount, all (A) optional prepayments of Loans permitted under this Section 3.04 or (B) mandatory prepayments of Loans required under this Section 3.04, in each case made prior to the first anniversary of the Effective Date shall also be accompanied by an amount equal to the Make Whole Amount.

(e) Application of Prepayments. Each prepayment of Loans pursuant to Section 3.04 shall be applied ratably to the Loans then outstanding.

(f) Interest to be Paid with Prepayments. Prepayments pursuant to this Section 3.04 shall be accompanied by accrued interest to the extent required by Section 3.02.

Section 3.05 Fees. The Borrower agrees to pay the fees in the amounts and at the times set forth in the Fee Letter.

Section 3.06 Payments to MSEC; Fundings made by MSEC.

(a) MSEC, in its capacity as Administrative Agent and/or Arranger, in its sole discretion, may provide written notice to the Loan Parties to pay any fees or any other amounts due to MSEC under the Loan Documents to Morgan Stanley Capital Group Inc., in its capacity as a Lender, for the account of MSEC, and the relevant Loan Party shall comply with any such written direction.

(b) For purposes of Section 2.04, MSEC or any of its Affiliates, each in its capacity as Administrative Agent, and any Lender and the Borrower may agree that such Lender shall make a Loan to be made by it hereunder directly to the Borrower and such Lender shall make such Loan on the proposed borrowing date thereof by wire transfer of immediately available funds to the account of the Borrower designated by the Borrower in the applicable Borrowing Request.

ARTICLE IV

Payments; Pro Rata Treatment; Sharing of Set-offs

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

(a) Payments by the Borrower. The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or of amounts payable under Section 5.01, Section 5.02 or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without defense, deduction, recoupment, set-off or counterclaim. Fees, once paid, shall be fully earned and shall not be refundable under any circumstances. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices specified in Section 12.01 or as otherwise directed by the Administrative Agent, except that payments pursuant to Section 5.01, Section 5.02 and Section 12.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(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, interest and fees then due hereunder, such funds shall be applied (i) 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 (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) Sharing of Payments by Lenders. If, other than as provided elsewhere herein, 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 resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its 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 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; provided that 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 to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate 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 Presumption of Payment by the Borrower. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment

to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 4.03 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) or Section 4.02 then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), 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. After acceleration or maturity of the Loans, all principal will be paid ratably as provided in Section 10.02(c).

Section 4.04 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 Secured Parties 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 Secured 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, (a) 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 or another Loan Party and (b) 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 Loan Party.

ARTICLE V Increased Costs; Taxes

Section 5.01 Increased Costs.

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

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

(ii) subject any Credit Party 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, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Credit Party of making, continuing or maintaining any Loan or to reduce the amount of any sum received or receivable by such Lender or such other Credit Party (whether of principal, interest or any other amount), then, upon request of such Lender or other Credit Party, the Borrower will pay to such Lender or such other Credit Party such additional amount or amounts as will compensate such Lender or such other Credit Party for such additional costs incurred or reduction suffered.

(b) Capital and Liquidity Requirements. If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy or liquidity), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 5.01(a) or (b) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender pursuant to this Section 5.01 for any increased costs or reductions incurred more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine month period referred to above shall be extended to include the period of retroactive effect thereof).

Section 5.02 Taxes.

(a) Defined Terms. For purposes of this Section 5.02, Section 5.03 and Section 5.04, the term "applicable law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment 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, then the sum payable by the applicable Loan Party shall be increased as necessary so that, after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 5.02), the applicable Credit Party receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay 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.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Credit Party, within 10 days after written demand therefor, for the full amount of

any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 5.02) payable or paid by such Credit Party or required to be withheld or deducted from a payment to such Credit Party and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified 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 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, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.04(c) relating to the maintenance of a Participant Register, and (iii) 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 paragraph (e).

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 5.02, such Loan 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.

(g) Status of Lenders. 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 Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative 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 5.02(g)(ii)(A), (ii)(B) and (ii)(D) 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.

(i) 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 Borrower and the Administrative 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 Borrower or the Administrative Agent), executed originals of IRS Form W-9 (or any successor form) certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Non-U.S. 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 originals of IRS Form W-8BEN or W-BEN-E, as applicable (or any successor form) 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 W-BEN-E, as applicable (or any successor form) 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;

(2) executed originals of IRS Form W-8ECI (or any successor form);

(3) in the case of a Non-U.S. 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 H-1 to the effect that such Non-U.S. 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 881(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 originals of IRS Form W-8BEN (or any successor form); or

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

(C) any Non-U.S. Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals 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 Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail 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 Borrower and the Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative 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 Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their 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 clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

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 Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 5.02 (including by the payment of additional amounts pursuant to this Section 5.02), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 5.02 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (h) (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 (h), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (h) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party's obligations under this Section 5.02 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Documents.

Section 5.03 Designation of Different Lending Office. If any Lender requests compensation under Section 5.01, or requires the Borrower to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.02, 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 (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or Section 5.02, as the case may be, in the future and (ii) 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 5.04 Replacement of Lenders. If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.02, and, in each case, such Lender has declined or is unable to designate a different lending office in accordance with Section 5.03, or if any Lender is a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 12.04(b)), all of its interests, rights (other than its existing rights to payments pursuant to Section 5.01 or Section 5.02) and obligations under this Agreement and the related Loan Documents to a replacement bank, financial institution or other institutional lender that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have paid to the Administrative Agent the assignment fee (if any) specified in Section 12.04, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, and under the other Loan Documents (including any amounts under Sections 3.01, 3.04 and 5.05), 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), (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 5.02, such assignment will result in a reduction in such compensation or payments, (iv) such assignment does not conflict with applicable law; and (v) in the case of any assignment resulting from a Lender becoming a Non-Consenting Lender, the applicable assignee shall have consented to the applicable amendment, waiver or consent. A Lender shall not be required to make any such assignment or 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.

Section 5.05 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the failure to borrow, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, or (c) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 5.03 then, in any such event and upon the request of any Lender, the Borrower shall compensate such Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the

case of a failure to borrow or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 5.05 and demonstrating, in reasonable detail, the computation of such amount or amounts shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

ARTICLE VI Conditions Precedent

Section 6.01 Effective Date. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02):

(a) 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.

(b) 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 the Security Instruments, including the Guarantee and Collateral Agreement, and except in cases where no signature is required, the other Security Instruments described on Exhibit F-1. In connection with the execution and delivery of the Security Instruments, the Administrative Agent shall be reasonably satisfied that the Security Instruments create Liens, subordinate to only that of the Senior Liens, if any, that may be perfected upon recordation of properly completed financing statements and the Security Instruments in the appropriate filing offices therefor (except that Excepted Liens identified in clauses (a) to (d) and (f) of the definition thereof, but subject to the provisos at the end of such definition may exist) on at least 90% of the Total Proved PV-9 of the Oil and Gas Properties of the Borrower and its Subsidiaries.

(c) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Loan Party setting forth (i) resolutions of its board of directors or other appropriate governing body with respect to the authorization of such Loan Party to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of such Loan Party (y) who are authorized to sign the Loan Documents to which such Loan Party is a party and (z) 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, (iii) specimen signatures of such authorized officers, and (iv) the articles or certificate of incorporation and by-laws or other applicable Organizational Documents of such Loan Party, 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 such Loan Party to the contrary.

(d) The Administrative Agent shall have received certificates of the appropriate state agencies, as requested by the Administrative Agent, with respect to the existence, qualification and good standing of each Loan Party in each jurisdiction where any such Loan Party is organized or owns Borrowing Base Properties.

(e) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower in form and substance reasonably satisfactory to the Administrative Agent certifying that (i) all government and third party approvals necessary in connection with the continued operations of the Loan Parties and the Transactions have been obtained and are in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby on satisfactory terms and (ii) no action or proceeding is pending or threatened in any court or before any Governmental Authority seeking to enjoin or prevent the consummation of the Transactions contemplated hereby.

(f) The Administrative Agent shall have received certificates of insurance coverage of the Loan Parties in form and substance reasonably satisfactory to the Administrative Agent evidencing that the Loan Parties are carrying insurance in accordance with Section 7.12.

(g) The Administrative Agent shall have received a certificate of a Responsible Officer of Parent and the Borrower substantially in the form of Exhibit E certifying that, after giving effect to the Borrowings under this Agreement and the other Transactions contemplated hereunder, Parent, the Borrower and the other Loan Parties, on a consolidated basis, are solvent.

(h) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower in form and substance reasonably satisfactory to the Administrative Agent certifying that the Borrower and the other Loan Parties will not have any material Debt for borrowed money outstanding (other than Intercompany Debt, Revolving Debt under the Revolving Loan Documents, the Secured Obligations under this Agreement, the Vitrol Prepayments (which shall be extinguished in full within three (3) Business Days after the Effective Date in accordance with Section 8.20), or other Debt permitted by Section 9.02).

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

(j) The Administrative Agent shall have received, at least five (5) days prior to the Effective Date, all documentation and other information previously requested and required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act.

(k) The Administrative Agent shall have received an opinion of (i) Bryan Cave Leighton Paisner LLP with respect to enforceability under New York law and Hall Estill as to due execution and delivery and other corporate matters, as counsel to the Loan Parties, (ii) Baker & McKenzie, counsel for Parent and (iii) local counsel in any jurisdictions where Oil and Gas Properties are located, in form and of substance reasonably acceptable to the Administrative Agent.

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

(m) The Administrative Agent shall have received appropriate UCC search certificates reflecting no prior Liens encumbering the Properties of the Borrower and the other Loan Parties other than those being released on or prior to the Effective Date or Liens permitted by Section 9.03.

(n) The Administrative Agent shall have received title information as the Administrative Agent may reasonably require that is reasonably satisfactory to the Administrative Agent setting forth the status of title to at least 90% of the Total Proved PV-9 of the Oil and Gas Properties.

(o) The Administrative Agent shall have received evidence that on or before, or substantially simultaneous with, the Effective Date all Liens securing the Existing Credit Facilities are being released on terms satisfactory to the Administrative Agent.

(p) The Borrower shall have unrestricted cash and unused availability under the Revolving Credit Agreement in an aggregate amount of not less than \$125,000,000 on the Effective Date (after giving effect to the Borrowings and any application of the proceeds of the Loans incurred on the Effective Date and less any amounts necessary to repay the Vitol Prepayments in full).

(q) The Borrower shall have contemporaneously (i) received total consideration from equity contributions totaling no less than \$260,000,000 with cash proceeds from such equity contributions of not less than \$240,000,000, but in any event in an amount sufficient to pay for the cost of the Acquisition and provide the amount of minimum liquidity required by Section 6.01(p) and (ii) entered into the Revolving Credit Agreement with a Borrowing Base thereunder of \$87,500,000.

(r) The Acquisition shall have occurred in accordance with the terms and conditions of the Acquisition PSA, including, without limitation, the delivery of the TSA Bonds to each of Pioneer Natural Resources Company, a Delaware corporation, Newpek, LLC, a Delaware limited liability company, and Reliance Holding USA, Inc., a Delaware corporation, as required pursuant to the Transaction Support Agreement, and the Administrative Agent shall have received copies, certified as true and correct by a responsible officer of the Borrower, of the Acquisition PSA and/or such other definitive documentation related to the Acquisition that the Administrative Agent may reasonably request.

(s) The Administrative Agent shall have received duly executed copies of the Loan Documents (as defined in the Revolving Credit Agreement) and the Intercreditor Agreement, in each case certified as true and correct by a responsible officer of the Borrower.

(t) At the time of and immediately after giving pro forma effect to the Loans made on the Effective Date no Default or Event of Default (including, without limitation, compliance with all financial covenants contained in Section 9.01) shall have occurred and be continuing.

(u) At the time and immediately after giving pro forma effect to the Loans made on the Effective Date there exists no event or circumstance that could have a Material Adverse Effect.

(v) The receipt by the Administrative Agent of a Borrowing Request in accordance with Section 2.03.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 12.02) at or prior to 4:00 P.M., New York City time, on April 30, 2018 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

ARTICLE VII
Representations and Warranties

Each of Parent and the Borrower, jointly and severally, represents and warrants to the Lenders that:

Section 7.01 Organization; Powers. Each Loan Party 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 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 foreign qualifications could not reasonably be expected to have a Material Adverse Effect.

Section 7.02 Authority; Enforceability. The Transactions are within each Loan Party's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational action. Each Loan Document to which a Loan Party is a party has been duly executed and delivered by it and constitutes its legal, valid and binding obligation, as applicable, 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 (a) 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, 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 contemplated thereby, except such as have been obtained or made and are in full force and effect other than (i) the recording and filing of financing statements and the Security Instruments as required by this Agreement and (ii) those third party approvals or consents which, if not made or obtained, would not cause a Default hereunder, could not reasonably be expected to have a Material Adverse Effect, or do not have an adverse effect on the enforceability of the Loan Documents, (b) will not violate (i) in any material respect, any applicable law or regulation or any order of any Governmental Authority or (ii) the Organizational Documents of any Loan Party, (c) will not violate or result in a default under any material indenture, note, credit agreement or other similar instrument binding upon any Loan Party or its Properties, or give rise to a right thereunder to require any payment to be made by any Loan Party and (d) will not result in the creation or imposition of any Lien on any Property of any Loan Party (other than the Liens created by the Loan Documents).

Section 7.04 Financial Condition; No Material Adverse Change.

(a) Since December 31, 2017 and after giving effect to the Transactions (i) there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect and (ii) the business of the Borrower and the Loan Parties has been conducted only in the ordinary course consistent with past business practices (it being understood that changes in business practices that do not change the nature of the business as an exploration and production company, such as changes to respond to current market conditions, are consistent with past business practices).

(b) Neither the Borrower nor any other Loan Party has on the date of this Agreement, after giving effect to the Transactions, any material Debt (including Disqualified Capital Stock) other than the Secured Obligations, Revolving Debt under the Revolving Loan Documents, the Intercompany Debt or any contingent liabilities, off-balance sheet liabilities or partnerships,

liabilities for taxes, or unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments.

Section 7.05 Litigation.

(a) 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 in writing against any Group Member that (i) are not fully covered by insurance (except for normal deductibles) as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) involve any Loan Document or the Transactions.

(b) Since the date of this Agreement, there has been no change in the status of the matters disclosed in Schedule 7.05 that, individually or in the aggregate, has resulted in a Material Adverse Effect.

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 Group Members 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 Group Members 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 no Group Member 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 the Borrower's knowledge, threatened against any Group Member or any of their respective Properties or as a result of any operations at the Properties;

(d) none of the Properties of the Group Members contain or, to the Borrower's knowledge, have contained any: (i) underground storage tanks; (ii) asbestos-containing materials; (iii) landfills or dumps; (iv) hazardous waste management units as defined pursuant to RCRA or any comparable state law; or (v) 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) except as permitted under applicable laws, there has been no Release or, to the Borrower's knowledge, threatened Release, of Hazardous Materials attributable to the operations of any Group Member at, on, under or from any Group Member's Properties and there are no investigations, remediations, abatements, removals of Hazardous Materials required under applicable Environmental Laws relating to such Releases or threatened Releases or 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 Group Member has received any written notice asserting an alleged liability or obligation under any Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials, including at, under, or Released or threatened to be Released from any real properties offsite the Group Member's Properties and there are no conditions or circumstances that would 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 Group Member or relating to any of their Properties that would reasonably be expected to form the basis for a claim against any Group Member for damages or compensation and, to the Borrower's knowledge, there are no conditions or circumstances that would reasonably be expected to result in the receipt of notice regarding such exposure; and

(h) the Group Members have provided to the Lenders complete and correct copies of all environmental site assessment reports, investigations, studies, analyses, and correspondence on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in any Group Member's possession or control and relating to their respective Properties or operations thereon.

Section 7.07 Compliance with the Laws and Agreements; No Defaults.

(a) Each Loan Party 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 Loan Party is in default nor has any event or circumstance 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 such Loan Party to Redeem or make any offer to Redeem all or any portion of any Debt outstanding under any material indenture, note, credit agreement or other similar instrument pursuant to which any Material Indebtedness is outstanding.

(c) No Default has occurred and is continuing.

Section 7.08 Investment Company Act. No Loan 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 Loan Party has timely filed or caused to be filed all 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 (a) taxes that are being contested in good faith by appropriate proceedings and for which the applicable Loan Party has set aside on its books adequate reserves in accordance with IFRS or (b) to the extent that the failure to do so could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect. To the knowledge of Borrower, no material proposed tax assessment is being asserted with respect to any Loan Party.

Section 7.10 ERISA.

(a) Each Plan is, and has been, operated, administered and maintained in substantial compliance with, and the Borrower and each ERISA Affiliate have complied in all material respects with, ERISA, the terms of the applicable Plan and, where applicable, the Code.

(b) No act, omission or transaction has occurred which would result in imposition on any the Borrower or any ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to subsections (c), (i) or (l) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(c) No liability to the PBGC (other than for the payment of current premiums which are not past due) by the Borrower or any ERISA Affiliate has been or is reasonably expected by any Loan Party or any ERISA Affiliate to be incurred with respect to any Plan. No ERISA Event with respect to any Plan has occurred.

(d) The actuarial present value of the benefit liabilities under each Plan which is subject to Title IV of ERISA does not, as of the end of the Borrower's most recently ended fiscal year, exceed the current value of the assets (computed on a plan termination basis in accordance with Title IV of ERISA) of such Plan allocable to such benefit liabilities by an amount that could reasonably be expected to have a Material Adverse Effect. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA.

(e) Neither the Borrower nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, or had any actual or contingent liability to any Multiemployer Plan.

Section 7.11 Disclosure; No Material Misstatements. The Borrower has disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it or any Loan Party is subject, and all other existing facts and circumstances applicable to the Loan Parties known to the Borrower, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Loan Parties to the Administrative Agent or any Lender or any of their Affiliates in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) contain any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial or other information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to the Borrower or any other Loan Party which could reasonably be expected to have a Material Adverse Effect or in the future is reasonably likely to have a Material Adverse Effect and which has not been set forth in this Agreement or the Loan Documents or the other documents, certificates and statements furnished to the Administrative Agent or the Lenders by or on behalf of the Borrower or any other Loan Party prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no statements or conclusions in any Reserve Report which are based upon or include 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 and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and the Loan Parties do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

Section 7.12 Insurance. For the benefit of each Loan Party, Parent or the Borrower has (a) all insurance policies sufficient for the compliance by the Loan Parties with all material Governmental Requirements and all material agreements and (b) insurance coverage, or self-insurance, in at least such amounts and against such risk (including 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 Loan Parties. Schedule 7.12, as of the date hereof, sets forth a list of all insurance maintained by Parent or the Borrower. The Administrative Agent, as agent for the benefit of the Secured Parties, has been named as additional insureds in respect of such liability insurance policies and the Administrative Agent, as agent for the benefit of the Secured Parties, has been named as loss payee with respect to Property loss insurance.

Section 7.13 Restriction on Liens. Other than the Revolving Loan Documents, neither the Borrower nor any Loan Party is a party to any material agreement or arrangement (other than as permitted by Section 9.15), 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 Secured Obligations and the Loan Documents.

Section 7.14 Group Members. 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, there are no other Group Members. Each Guarantor and Material Subsidiary has been so designated on Schedule 7.14.

Section 7.15 Foreign Operations. The Borrower and the other Loan Parties do not own any Oil and Gas Properties not located within the geographical boundaries of the United States.

Section 7.16 Location of Business and Offices. The Borrower's jurisdiction of organization is Colorado; the name of the Borrower as listed in the public records of its jurisdiction of organization is Sundance Energy, Inc. and the organizational identification number of the Borrower in its jurisdiction of organization is 20031394742 (or, in each case, as set forth in a notice delivered to the Administrative Agent pursuant to Section 8.01(k) in accordance with Section 12.01). The Borrower's principal place of business and chief executive offices are located at the address specified in Section 12.01 (or as set forth in a notice delivered pursuant to Section 8.01(k) and Section 12.01(c)). Each Group Member's jurisdiction of organization, name as listed in the public records of its jurisdiction of organization, organizational identification number in its jurisdiction of organization, and the location of its principal place of business and chief executive office is stated on Schedule 7.14 (or as set forth in a notice delivered pursuant to Section 8.01(k)).

Section 7.17 Properties; Titles, Etc.

(a) Each Loan Party has good and defensible title to the Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to, or valid leasehold interests in, licenses of, or rights of use, all other Collateral owned or leased by such Loan Party and all of its other material personal Properties necessary or used in the ordinary conduct of its business other than Properties sold in compliance with Section 9.11 from time to time, in each case, free and clear of all Liens except Liens permitted by Section 9.03. After giving full effect to the Excepted Liens, the Loan Party specified as the owner owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and except as otherwise provided by statute, regulation or the standard and customary provisions of any applicable joint operating agreement, the ownership of such Properties shall not in any material respect obligate the Loan Party 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 Loan Party's net revenue interest in such Property.

(b) All material leases and agreements necessary for the conduct of the business of the Loan 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) Except as could not reasonably be expected to have a Material Adverse Effect, the rights and Properties presently owned, leased or licensed by the Loan Parties including all easements and rights of way, include all rights and Properties necessary to permit the Loan Parties to conduct their business in the same manner as its business is conducted on the date hereof.

(d) Except for Properties being repaired, all of the Properties of the Loan Parties which are reasonably necessary for the operation of their businesses are in good working condition in all material respects and are maintained in accordance with prudent business standards.

(e) Each Loan Party owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property necessary for the conduct of the business, and the use thereof by the Loan Party does not, to its knowledge, 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. The Loan 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, which limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 7.18 Maintenance of Properties. Except for such acts or failures to act as could not be reasonably expected to have a Material Adverse Effect, the Oil and Gas Properties (and Properties unitized therewith) of the Loan Parties have 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 Loan Parties. Specifically in connection with the foregoing, except for those as could not be reasonably expected to have a Material Adverse Effect, (i) no Oil and Gas Property of the Loan Parties is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Loan Parties is deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Loan Parties. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned in whole or in part by the Loan Parties that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations, and with respect to such of the foregoing which are operated by the Loan Parties, in a manner consistent with the Loan Parties' past practices (other than those the failure of which to maintain in accordance with this Section 7.18 could not reasonably be expected to have a Material Adverse Effect).

Section 7.19 Gas Imbalances; Prepayments. Except as set forth on Schedule 7.19 or on the most recent certificate delivered pursuant to Section 8.12(c), on a net basis there are no gas imbalances, take-or-pay or other prepayments which would require any Loan Party to deliver Hydrocarbons produced from their Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding two percent (2.0%) of the aggregate volumes of Hydrocarbons (on an Mcf equivalent basis) listed in the most recent Reserve Report.

Section 7.20 Marketing of Production. Except for contracts listed and in effect on the date hereof on Schedule 7.20, and thereafter either disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report, (a) the Loan Parties are receiving a price for all production sold thereunder which is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Property's delivery capacity and (b) 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 Loan Parties' Hydrocarbons (including calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (i) pertain to the sale of production at a fixed price and (ii) have a maturity or expiry date of longer than six (6) months from the date hereof.

Section 7.21 Security Instruments. The Security Instruments are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable second priority security interest in the Mortgaged Property and Collateral and proceeds thereof. To the extent required herein and in the other Loan Documents, the Secured Obligations are and shall be at all times secured by a legal, valid and enforceable perfected Liens, subordinate to only that of the Senior Liens, if any, in favor of the Administrative Agent, covering and encumbering the Mortgaged Properties and other Collateral, to the extent perfection has occurred or will occur, by the recording of a mortgage, the filing of a UCC financing statement or, with respect to Equity Interests represented by certificates, by possession (in each case, to the extent available in the applicable jurisdiction); provided that, except in the case of pledged Equity Interests or as otherwise provided herein, Liens permitted by Section 9.03 may exist and no intention to subordinate the Liens, subordinate to only that of the Senior Liens, if any, otherwise granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Liens permitted by Section 9.03.

Section 7.22 Swap Agreements. Schedule 7.22, as of the date hereof, and after the date hereof, each report required to be delivered by the Borrower pursuant to Section 8.01(d), sets forth, a true and complete list of all Swap Agreements of the Loan Parties, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the estimated net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied, but excluding the Security Instruments) and the counterparty to each such agreement.

Section 7.23 Use of Loans. The proceeds of the Loans shall be used (a) to refinance the Existing Credit Facilities, (b) to finance the development of the Oil and Gas Properties including those acquired in the Acquisition, (c) to extinguish the amounts of all Prepayments (as defined in the Vitol Prepayment Contract) (the "Vitol Prepayments"), (d) for the payment of fees and expenses in connection with this Agreement, and (e) for the working capital needs and general corporate purposes of the Loan Parties. No Loan Party is 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 will be used, directly or indirectly to purchase or carry any margin stock, to extend credit to others for the purpose of purchasing or carrying margin stock, to reduce or retire any indebtedness that was originally incurred to purchase or carry any margin stock or for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.24 Solvency. After giving effect to the Transactions and the other transactions contemplated hereby, (a) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Loan Parties, taken as a whole, will exceed the aggregate Debt of the Loan Parties on a consolidated basis, as the Debt becomes absolute and matures, (b) each Loan Party will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures in the ordinary course of business and (c) each Loan Party will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business.

Section 7.25 OFAC. Neither the Group Members, nor, to the Borrower's knowledge, any director, officer, agent, employee or Affiliate of the Group Members is currently subject to any material U.S. sanctions administered by OFAC, and the Borrower will not directly or indirectly use the proceeds from the Borrowings or lend, contribute or otherwise make available such proceeds to any Group Member, joint venture partner or other Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

Section 7.26 Anti-Terrorism Laws. (a) None of the Group Members, nor, to the Borrower's knowledge, any of their Affiliates is in violation of any laws relating to terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), and the Patriot Act.

(b) None of the Group Members, nor, to the Borrower's knowledge, any of their Affiliates or their respective brokers or other agents acting or benefiting in any capacity in connection with the Loans is any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(i i) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(i i i) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(i v) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website or any replacement website or other replacement official publication or such list.

(c) None of the Group Members, nor, to the Borrower's knowledge, any of its brokers or other agents acting in any capacity in connection with the Loans (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in clause (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii)

engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 7.27 Money Laundering. The operations of the Group Members are and have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the Money Laundering Laws, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving any Loan Party with respect to the Money Laundering Laws is pending or, to the best knowledge of the Borrower, threatened in writing.

Section 7.28 Foreign Corrupt Practices. No Group Member, nor, to the knowledge of the Borrower, any director, officer, agent, or employee of any Loan Party, is aware of or has taken any action, directly or indirectly, that would result in a material violation by such Persons of the FCPA, including without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any “foreign official” (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA; and, the Loan Parties have conducted their business in material compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

Section 7.29 EEA Financial Institutions. No Group Member is an EEA Financial Institution.

ARTICLE VIII Affirmative Covenants

Until Payment in Full, each of Parent and the Borrower, jointly and severally, covenants and agrees with the Lenders that:

Section 8.01 Financial Statements; Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) Annual Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 90 days after the end of each fiscal year of the Parent, (i) the audited consolidated statement of financial position for Parent and its Subsidiaries and related statements of profit or loss or other comprehensive income, changes in equity, as applicable, and cash flows as of the end of and for such year, setting forth in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing (without a “going concern” or like qualification or exception 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 Parent and its Subsidiaries on a consolidated basis in accordance with IFRS consistently applied, and (ii) internally prepared unaudited consolidating statement of financial position and statement of profit or loss or other comprehensive income of Parent which agree in total to the corresponding audited consolidated statements of Parent for the 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 Parent and its Subsidiaries on a consolidated and consolidating basis in accordance with IFRS consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

(b) Quarterly Financial Statements. As soon as available, but in any event not later than 60 days after the end of each of the first three fiscal quarters of each fiscal year of Parent, (i) the unaudited consolidated statement of financial position for Parent and its Subsidiaries and related statements of profit or loss or other comprehensive income, changes in equity, as applicable, 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 comparative form the figures for the corresponding period or periods of (or, in the case of the statement of financial position, as of the end of) the previous fiscal year and (ii) internally prepared unaudited consolidating statement of financial position and statement profit or loss or other comprehensive income of Parent which agree in total to the corresponding unaudited consolidated statements of Parent for such fiscal quarter, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of Parent and its Subsidiaries on a consolidated and consolidating basis in accordance with IFRS 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 certificate of a Financial Officer of Parent in substantially the form of Exhibit D hereto (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 9.01 and (iii) stating whether any change in IFRS or in the application thereof has occurred since the date of the most recently delivered financial statements referred to in Section 8.01(a) and (b) 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 – Swap Agreements. Concurrently with the delivery of each Reserve Report hereunder, a certificate of a Financial Officer, in form and substance reasonably satisfactory to the Administrative Agent, setting forth as of the last Business Day of the period covered by such Reserve Report, a true and complete list of all Swap Agreements of each Loan Party, 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 (other than Security Instruments) not listed on Schedule 7.22, any margin required or supplied under any credit support document, and the counterparty to each such agreement.

(e) Certificate of Insurer -- Insurance Coverage. Concurrently with any delivery of financial statements under Section 8.01(a), and within ten (10) Business Days following each change in the insurance maintained in accordance with Section 8.07, certificates of insurance coverage with respect to the insurance required by Section 8.07, in form and substance reasonably satisfactory to the Administrative Agent, and, if requested by the Administrative Agent or any Lender, all copies of the applicable policies.

(f) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to any Loan Party by independent accountants in connection with any annual, interim or special audit made by them of the books of any such Person, and a copy of any response by such Person, or the board of directors or other appropriate governing body of such Person, to such letter or report.

(g) SEC and Other Filings; Reports to Shareholders. Promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Loan Party with the SEC, the Australian Securities Exchange or with any other national securities exchange (other than relating to beneficial ownership of the Equity Interests of the

Parent); provided, however, that the Loan Parties shall be deemed to have furnished the information required by this Section 8.01(g) if it shall have timely made the same available publicly on its website, "EDGAR", asx.com.au or an equivalent website.

(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 the Revolving Loan Documents and any preferred stock designation, indenture, loan or credit or other similar material agreement, other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(i) Lists of Purchasers. Concurrently with the delivery of any Reserve Report to the Administrative Agent pursuant to Section 8.12, a list of all Persons purchasing Hydrocarbons from any Loan Party (or, with respect to Oil and Gas Properties that are not operated by a Loan Party, a list of the operators of such properties).

(j) Notice of Sales of Oil and Gas Properties and Unwinds of Swap Agreements. In the event the Borrower or any other Loan Party intends to (i) sell, transfer, assign or otherwise dispose of any Oil and Gas Properties (or any Equity Interests of any Loan Party that owns Oil and Gas Properties) or (ii) terminate, unwind, cancel or otherwise dispose of Swap Agreements which could result in an anticipated decline in the mark-to-market value thereof or net cash proceeds therefrom in excess of \$2,000,000 (in a single transaction or in multiple transactions over any one-month period), in each case, in accordance with Section 9.11, prior written notice of the foregoing (of at least 5 Business Days or such shorter time as the Administrative Agent may agree), the price thereof, in the case of Oil and Gas Properties (or any Equity Interests of any Loan Party that owns Oil and Gas Properties), and the anticipated decline in the mark-to-market value thereof or net cash proceeds therefrom, in the case of Swap Agreements, and the anticipated date of closing and any other details thereof reasonably requested by the Administrative Agent or any Lender.

(k) Notice of Casualty Events. Prompt written notice, and in any event within three Business Days, of the occurrence of any Casualty Event or the commencement of any action or proceeding that could reasonably be expected to result in a Casualty Event.

(l) Information Regarding Borrower and Guarantors. Prompt written notice of (and in any event within ten (10) days prior thereto or such other time as the Administrative Agent may agree) any change (i) in a Loan Party's corporate name or in any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties, (ii) in the location of the Loan Party's chief executive office or principal place of business, (iii) in the Loan Party's identity or corporate structure or in the jurisdiction in which such Person is incorporated or formed, (iv) in the Loan Party's jurisdiction of organization or such Person's organizational identification number in such jurisdiction of organization, and (v) in the Loan Party's federal taxpayer identification number.

(m) Production Report and Lease Operating Statements. Concurrently with any delivery of financial statements under Section 8.01(a) or Section 8.01(b), a report setting forth, for each calendar month during the previous twelve (12) months, 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, and setting forth the related ad valorem, severance and production taxes and lease operating expenses attributable thereto and incurred for each such calendar month.

(n) Patriot Act. Promptly upon request, all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA Patriot Act.

(o) Cash Flow and Capital Expenditure Forecast. Not later than 120 days after the end of each fiscal year, a certificate of a Responsible Officer, in form and substance reasonably satisfactory to the Administrative Agent, setting forth an operating budget (including a cash flow and capital expenditure forecast) for the immediately succeeding twelve months in form and substance reasonably satisfactory to the Administrative Agent.

(p) Other Requested Information. Promptly following any written request therefor, such other information regarding the operations, business affairs and financial condition of Parent, the Borrower or any Subsidiary (including any Plan or Multiemployer Plan and any reports or other information required to be filed 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 written notice of the following after any Responsible Officer of any Loan Party has knowledge thereof:

(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 Group Members thereof 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 ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower or any other Loan Party in an aggregate amount exceeding \$2,000,000; and

(d) the occurrence of any 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. Parent and the Borrower will, and will cause each Loan Party to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and 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 is located or the ownership of its Properties requires such qualification, except where failure to have such rights, licenses, permits, privileges, franchises and foreign qualifications 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. Parent and the Borrower will, and will cause each other Loan Party to, pay its obligations, including tax liabilities of the Borrower and all of the other Loan Parties before the same shall become delinquent or in default, except where (a) the validity or amount thereof is

being contested in good faith by appropriate proceedings, (b) the Borrower or such other Loan Party has set aside on its books adequate reserves with respect thereto in accordance with IFRS and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

Section 8.05 Performance of Obligations under Loan Documents. The Borrower will pay the Loans in accordance with the terms hereof, and cause each other Loan 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 this Agreement, at the time or times and in the manner specified.

Section 8.06 Operation and Maintenance of Properties. Parent and the Borrower, each at its own expense, will, and will cause each other Loan Party to:

(a) operate its Oil and Gas Properties and other material Properties or use commercially reasonable efforts to 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 and in compliance with all applicable contracts and agreements and in compliance with all applicable Governmental Requirements, including 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 comply could not reasonably be expected to have a Material Adverse Effect.

(b) maintain and keep or use commercially reasonable efforts to cause to be maintained and kept in good repair, working order and efficiency (ordinary wear and tear excepted) all of its material Oil and Gas Properties and other Properties material to the conduct of its business, including all equipment, machinery and facilities.

(c) promptly pay and discharge, or use commercially reasonable efforts to cause to be paid and discharged, all material delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary, in accordance with industry standards, to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(d) promptly perform or use commercially reasonable efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties.

Section 8.07 Insurance. Parent or the Borrower will maintain, with financially sound and reputable insurance companies, insurance covering all Loan Parties, 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. Subject to the terms of the Intercreditor Agreement, the loss payable clauses or provisions in the applicable insurance policy or policies insuring any of the collateral for the Loans shall be endorsed in favor of and made payable to the Administrative Agent as a "loss payee" or other formulation reasonably acceptable to the Administrative Agent and such liability policies shall name the Administrative Agent, as agent for the benefit of the Secured Parties, as "additional insured". Such policies will also provide that the insurer will endeavor to give at least 30 days prior notice of any cancellation to the Administrative Agent.

Section 8.08 Books and Records; Inspection Rights. Parent and the Borrower will, and will cause each other Loan Party to, keep proper books of record and account in accordance with IFRS. Parent

and the Borrower will, and will cause each other Loan Party to, permit any representatives designated by the Administrative Agent or any Lender, 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 during normal business hours and as often as reasonably requested.

Section 8.09 Compliance with Laws. Parent and the Borrower will, and will cause each Loan 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.

Section 8.10 Environmental Matters.

(a) Parent and the Borrower shall: (i) comply, and shall cause its Properties and operations and each other Group Member and each other Group Member's Properties and operations to comply, with all applicable Environmental Laws, except to the extent any breach thereof could not be reasonably expected to have a Material Adverse Effect; (ii) not dispose of or otherwise Release, and shall cause each other Group Member not to dispose of or otherwise Release, any Hazardous Material, or solid waste on, under, about or from any of the Borrower's or the other Group Members' Properties or any other Property to the extent caused by the Borrower's or any of the other Group Members' operations except in compliance with applicable Environmental Laws, the disposal or Release of which could reasonably be expected to have a Material Adverse Effect; (iii) timely obtain or file, and shall cause each other Group Member to timely obtain or file, all notices, and Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the Borrower's or the other Group Members' Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; (iv) promptly commence and diligently prosecute to completion, and shall cause each other Group Member 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 disposal or other Release of any Hazardous Materials on, under, about or from any of the Borrower's or the other Group Members' Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; (v) use commercially reasonable efforts to conduct, and cause each other Group Member 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 form the basis for a claim for damages or compensation; and (vi) establish and implement, and shall cause each other Group Member to establish and implement, such procedures as may be necessary to continuously determine and assure that the Borrower's and the other Group Members' 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) Parent and the Borrower will promptly, but in no event later than five Business Days of Parent or the Borrower becoming aware thereof, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any demand or lawsuit by any landowner or other third party threatened in writing against Parent or the Borrower or the other Group Members or their Properties of which Parent and or Borrower has knowledge in connection with any Environmental Laws (excluding routine testing and corrective action) if Parent or the Borrower reasonably anticipates that such action will result

in liability (whether individually or in the aggregate) in excess of \$2,000,000, not fully covered by insurance, subject to normal deductibles.

(c) If an Event of Default has occurred and is continuing, the Administrative Agent may (but shall not be obligated to), at the reasonable and documented expense of the Borrower and to the extent that the Borrower or any other Loan Party has the right to do so, conduct such Remedial Work as it deems appropriate to determine the nature and extent of any noncompliance with applicable Environmental Laws, the nature and extent of the presence of any Hazardous Material and the nature and extent of any other environmental conditions that may exist at or affect any of the Mortgaged Properties, and the Group Members shall cooperate with the Administrative Agent in conducting such Remedial Work. Such Remedial Work may include a detailed visual inspection of the Mortgaged Properties, including all storage areas, storage tanks, drains and dry wells and other structures and locations, as well as the taking of soil samples, surface water samples, and ground water samples and such other investigations or analyses as the Administrative Agent deems appropriate. The Administrative Agent and its officers, employees, agents and contractors shall have and are hereby granted the right to enter upon the Mortgaged Properties for the foregoing purposes.

Section 8.11 Further Assurances.

(a) Parent and the Borrower, each at its sole expense will, and will cause each other Loan 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 Loan Party, as the case may be, in the Loan Documents or to further evidence and more fully describe the collateral intended as security for the Secured 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 reasonably necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith.

(b) Parent and the Borrower hereby authorize 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 without the signature of the Borrower or any other Loan Party where permitted by law. A carbon, photographic or other reproduction of the Security Instruments or any financing statement covering the Mortgaged Property or any part thereof shall be sufficient as a financing statement where permitted by law.

Section 8.12 Reserve Reports.

(a) On or before March 31st and September 30th of each year, as applicable, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report evaluating the Oil and Gas Properties of the Borrower and the other Loan Parties in the United States as of the immediately preceding January 1st or July 1st, as applicable. The Reserve Report as of January 1st and delivered on or before March 31th of each year (the "January 1 Reserve Report") shall be prepared by one or more Approved Petroleum Engineers, and each other Reserve Report of each year may be prepared in form reasonably acceptable by one or more Approved Petroleum Engineers or internally 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 and to have been prepared in all

material respects in accordance with the procedures used in the immediately preceding January 1 Reserve Report.

(b) In the event that the Borrower shall furnish to the Revolving Agent a Reserve Report at any time other than those set forth in Section 8.12(a), the Borrower shall furnish the same to the Administrative Agent and shall certify such Reserve Report has been prepared in all material respects in accordance with the procedures used in the immediately preceding January 1 Reserve Report.

(c) With the delivery of each Reserve Report, the Borrower shall provide to the Administrative Agent and the Lenders a certificate from a Responsible Officer certifying that in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (ii) the Borrower or the other Loan Parties own good and defensible title to the Oil and Gas Properties evaluated in such Reserve Report and such Properties are free of all Liens except for Liens permitted by Section 9.03, (iii) 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 7.19 with respect to its Oil and Gas Properties evaluated in such Reserve Report which would require the Borrower or any other Loan 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, (iv) 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 exhibit shall list all of its Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent, (v) attached to the certificate is a list of all marketing agreements entered into by a Loan Party subsequent to the later of the date hereof or the most recently delivered Reserve Report which the Borrower could reasonably be expected to have been obligated to list on Schedule 7.20 had such agreement been in effect on the date hereof, (vi) 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 represent and that such percentage is in compliance with Section 8.14(a) and (vii) attached thereto is a computation of Total Proved PV-9 for the Oil and Gas Properties evaluated in such Reserve Report.

Section 8.13 Title Information.

(a) On or before the delivery to the Administrative Agent and the Lenders of each Reserve Report required by Section 8.12(a), the Borrower will make available to the Administrative Agent title information in form and substance reasonably 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 had the opportunity to review (including title information previously made available to the Administrative Agent), satisfactory title information on Hydrocarbon Interests constituting at least 90% of the Total Proved PV-9 of the Oil and Gas Properties evaluated by such Reserve Report.

(b) If the Borrower has provided title information for additional Properties under Section 8.13(a), the Borrower shall, within 60 days of 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 (other than Excepted Liens described in clauses (e), (g) and (h) of such definition) having an equivalent value or (iii) deliver title

information in form and substance reasonably acceptable to the Administrative Agent so that the Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, satisfactory title information on Hydrocarbon Interests constituting at least 90% of the Total Proved PV-9 of the Oil and Gas Properties 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 90% of the Total Proved PV-9 of the Oil and Gas Properties evaluated in the most recent Reserve Report, such default shall not be a Default, but instead the Administrative Agent and/or the Required 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 Lenders. To the extent that the Administrative Agent or the Required Lenders are not satisfied with title to any Oil and Gas Properties after the 60-day period has elapsed, such unacceptable Oil and Gas Properties shall not count towards the 90% requirement, and the Administrative Agent may send a notice to the Borrower and the Lenders that such unacceptable Oil and Gas Properties shall not be included in the calculation of Total Proved PV-9 and the Borrower shall recalculate its ratio of Total Proved PV-9 to Total Debt and demonstrate its compliance with the ratio under Section 9.01 excluding such unacceptable Oil and Gas Properties.

Section 8.14 Additional Collateral; Additional Guarantors.

(a) In connection with the delivery of each Reserve Report, the Borrower shall review such Reserve Report and the list of current Mortgaged Properties (as described in Section 8.12(c)(vi)) to ascertain whether the Mortgaged Properties represent at least 90% of the Total Proved PV-9 of the Oil and Gas Properties evaluated in the most recently completed Reserve Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least 90% of such Total Proved PV-9, then Parent and the Borrower shall, and shall cause the other Loan Parties to, grant, within thirty (30) days of delivery of the certificate required under Section 8.12(c) (or such later date as the Administrative Agent may agree), to the Administrative Agent as security for the Secured Obligations a Lien, subordinate to only that of the Senior Liens, if any (provided that Excepted Liens of the type described in clauses (a) to (d) and (f) of the definition thereof may exist, but subject to the provisos at the end of such definition) on additional Oil and Gas Properties not already subject to a Lien of the Security Instruments such that after giving effect thereto, the Mortgaged Properties will represent at least 90% of such Total Proved PV-9. All such Liens 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 grants a Lien on its Oil and Gas Properties pursuant to Section 8.14(a) and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) Parent and the Borrower shall promptly cause each newly created or acquired Subsidiary that is a Wholly-Owned Subsidiary (other than any Immaterial Subsidiary) to guarantee the Secured Obligations pursuant to the Guarantee and Collateral Agreement, including pursuant to a supplement or joinder thereto. In connection with any such guaranty, Parent and the Borrower shall, or shall cause (i) such Subsidiary (other than any Immaterial Subsidiary) to execute and deliver the Guarantee and Collateral Agreement (or a supplement thereto, as applicable) and (ii) subject to the Intercreditor Agreement, the owners (other than any Immaterial Subsidiary) of the

Equity Interests of such Subsidiary to pledge all of the Equity Interests of such new Subsidiary (including delivery of original stock certificates evidencing the Equity Interests of such Subsidiary, together with an appropriate undated stock powers for each certificate duly executed in blank by the registered owner thereof) and to execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(c) In the event that any Loan Party becomes the direct owner of a Domestic Subsidiary, then the Loan Party shall promptly, subject to the Intercreditor Agreement, (i) pledge 100% of all the Equity Interests of such Domestic Subsidiary, in each case, that are owned by such Loan Party and to the extent such pledge does not occur automatically under the Guarantee and Collateral Agreement (including, in each case, delivery of original stock certificates, if any, evidencing such Equity Interests, together with appropriate stock powers for each certificate duly executed in blank by the registered owner thereof) and (ii) (along with such Domestic Subsidiary) execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(d) In the event that any Loan Party becomes the direct owner of a Foreign Subsidiary, then the Loan Party shall promptly (i) pledge 66-2/3% of all the Equity Interests of such Foreign Subsidiary, in each case, that are owned by such Loan Party and to the extent such pledge does not occur automatically under the Guarantee and Collateral Agreement (including, in each case, delivery of original stock certificates, if any, evidencing such Equity Interests, together with appropriate stock powers for each certificate duly executed in blank by the registered owner thereof) and (ii) (along with such Foreign Subsidiary) execute and deliver such other additional closing documents and certificates as shall reasonably be requested by the Administrative Agent.

(e) The Borrower hereby guarantees the payment of all Secured Obligations of each Loan Party (other than the Borrower) and absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time to each Loan Party (other than the Borrower) in order for such Loan Party to honor its obligations under the Guarantee and Collateral Agreement and other Security Instruments (provided, however, that the Borrower shall only be liable under this Section 8.14(e) for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 8.14(e), or otherwise under this Agreement or any Loan Document, as it relates to such other Loan Parties, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of the Borrower under this Section 8.14(e) shall remain in full force and effect until Payment in Full.

(f) If the Borrower or any Subsidiary intends to grant any Lien on any Property to secure the Revolving Debt, then the Borrower will provide at least fifteen (15) days' prior written notice thereof to the Administrative Agent and the Borrower will, and will cause its Subsidiaries to, grant to the Administrative Agent to secure the Secured Obligations a Lien subordinate to only that of the Senior Liens, if any, on the same Property pursuant to Security Instruments in form and substance reasonably satisfactory to the Administrative Agent to the extent a prior Lien has not already been granted to the Administrative Agent on such Property. In connection therewith, the Borrower shall, or shall cause its Subsidiaries to, execute and deliver such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent. The Borrower will cause any Subsidiary and any other Person guaranteeing any Revolving Debt to contemporaneously guarantee the Secured Obligations pursuant to the Guarantee and Collateral Agreement.

Section 8.15 ERISA Compliance. Parent and the Borrower will promptly furnish and will cause each other Group Member and any ERISA Affiliate to promptly furnish to the Administrative Agent (i) upon becoming aware of the occurrence of any ERISA Event or of any Prohibited Transaction, which could reasonably be expected to result in liability of Parent, the Borrower or such other Group Member in an aggregate amount exceeding \$2,000,000, in connection with any Plan or any trust created thereunder, a written notice of Parent, the Borrower or Subsidiary of the Borrower, as the case may be, specifying the nature thereof, what action such Person is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (ii) upon receipt thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan. Promptly following receipt thereof, Parent and the Borrower will furnish and will cause each Subsidiary to promptly furnish to the Administrative Agent copies of any documents described in Sections 101(k) or 101(l) of ERISA that any Group Member may request with respect to any Multiemployer Plan for which the Borrower, any Group Member or any of their ERISA Affiliates may be subject to any current or future liability; provided, that if the Group Members have not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, then, upon reasonable request of the Administrative Agent, the Group Members shall promptly make a request for such documents or notices from such administrator or sponsor and the Borrower shall provide copies of such documents and notices to the Administrative Agent promptly after receipt thereof.

Section 8.16 Marketing Activities. Parent and the Borrower will not, and will not permit any of the other Loan Parties to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than (i) 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, (ii) 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 Borrower and the other Loan Parties that the Borrower or one of the other Loan Parties 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 (iii) 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 and (B) for which appropriate credit support has been taken to alleviate the material credit risks of the counterparty thereto.

Section 8.17 Swap Agreements. Within fifteen (15) Business Days of the Effective Date (or such later date as the Administrative Agent may agree), the Borrower shall enter into 100% of the Required Hedges described in clause (a) of the definition thereof, and at all times thereafter the Borrower shall establish and maintain the Required Hedges described in clause (b) of the definition thereof.

Section 8.18 Patriot Act, OFAC, FCPA. Now and hereafter to the extent applicable to this Agreement, the transactions contemplated hereby or the Loan Parties' execution, delivery and performance of the Loan Documents, do and will comply, as applicable, in all material respects with the Patriot Act, U.S. sanctions administered by OFAC and FCPA, and with respect to each statute, any successor statute thereto.

Section 8.19 CUSIP Requirement. Within fifteen (15) days after the Effective Date, the Borrower shall have obtained a CUSIP number for the Loans and an LXID with IHSMarkit.

Section 8.20 Vitol Prepayments. Within three (3) Business Days of the Effective Date, the Borrower shall extinguish the Vitol Prepayments in full.

Section 8.21 Anti-Cash Hoarding. If, (a) as at the end of any calendar month, the Consolidated Cash Balance exceeds the Consolidated Cash Balance Threshold and (b) the outstanding principal balance of Debt permitted by Section 9.02(m) is greater than zero, then the Borrower shall, within five (5) Business Days of becoming aware of any such excess, repay any Debt permitted by Section 9.02(m) in an aggregate principal amount, plus accrued interest, if any, equal to such excess.

ARTICLE IX Negative Covenants

Until Payment in Full, each of Parent and the Borrower, jointly and severally, covenant and agree with the Lenders that:

Section 9.01 Financial Covenants.

(a) Interest Coverage Ratio. Parent and the Borrower will not, as of the last day of any fiscal quarter (beginning with the fiscal quarter ending on December 31, 2018) permit the ratio of EBITDAX to Consolidated Interest Expense for the four fiscal quarters ending on the last day of the fiscal quarter immediately preceding the date of determination for which financial statements are available to be less than 1.50 to 1.00.

(b) Ratio of Total Proved PV-9 to Total Debt. Parent and the Borrower will not, as of the last day of any fiscal quarter (beginning with the fiscal quarter ending on December 31, 2018) permit the ratio of Total Proved PV-9 to Total Debt, as of such time, to be less than 1.50 to 1.00.

Section 9.02 Debt. Parent and the Borrower will not, and will not permit any other Loan Party to, incur, create, assume or suffer to exist any Debt, except:

- (a) the Loans or other Secured Obligations.
- (b) Debt of any Loan Party under Capital Leases or incurred in connection with fixed or capital assets acquired, constructed or improved by any Loan Party not to exceed \$1,000,000.
- (c) Debt associated with worker's compensation claims, bonds or surety obligations required by Governmental Requirements or by third parties in the ordinary course of business in connection with the operation of, or provision for the abandonment and remediation of, the Oil and Gas Properties.
- (d) Intercompany Debt.
- (e) endorsements of negotiable instruments for collection in the ordinary course of business.
- (f) Debt representing deferred compensation to employees of Parent or any of its Subsidiaries incurred in the ordinary course of business not to exceed an aggregate amount at any one time outstanding the greater of (i) \$1,250,000 and (ii) one percent (1%) of the then effective Borrowing Base, in the aggregate at any one time outstanding.
- (g) Debt incurred by the Borrower or any Loan Party in any Investment permitted hereunder, merger or any Disposition permitted hereunder, in each case, constituting indemnification obligations or obligations in respect of purchase price or other similar adjustments not to exceed \$5,000,000 in the aggregate at any one time outstanding.

(h) Debt consisting of the financing of insurance premiums not to exceed the greater of (i) \$1,250,000 and (ii) one percent (1%) of the then effective Borrowing Base, in the aggregate at any one time outstanding.

(i) Debt in respect of netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and other cash management and similar arrangements in the ordinary course of business.

(j) Debt arising under Swap Agreements permitted under Section 9.17.

(k) other Debt not to exceed \$5,000,000 in the aggregate at any one time outstanding.

(l) any guarantee of any other Debt permitted to be incurred hereunder.

(m) Debt under the Revolving Loan Documents and any Permitted Refinancing Debt thereof, provided that the aggregate principal amount of such Debt does not exceed the lesser of (i) \$250,000,000 and (ii) the greater of (A) \$87,500,000 and (B) the Borrowing Base in effect on the date such Debt is incurred.

(n) Debt under the Transaction Support Agreement and Parent's guarantee of such Debt (including, for the avoidance of doubt, the Buyer Parent Guaranty (as defined in the Transaction Support Agreement)), including, without limitation, Debt associated with the TSA Bonds and the TSA Letters of Credit, in a combined aggregate amount at any one time outstanding not to exceed \$42,000,000, and the TSA Indemnity Agreements.

Section 9.03 Liens. Parent and the Borrower will not, and will not permit any other Loan 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 Secured Obligations.

(b) Excepted Liens.

(c) Liens securing Capital Leases permitted by Section 9.02(b) but only on the Property that is the subject of any such lease, accessions and improvements thereto, insurance thereon, and the proceeds of the foregoing.

(d) Liens securing any Permitted Refinancing Debt provided that any such Permitted Refinancing Debt is not secured by any additional or different Property not securing the Refinanced Debt.

(e) Liens with respect to property or assets of the Borrower or any other Loan Party securing obligations in an aggregate principal amount outstanding at any time not to exceed \$5,000,000.

(f) Senior Liens (i) to the extent permitted by, and for so long as such Liens remain subject to, the Intercreditor Agreement and (ii) as long as any Property securing such Senior Liens also secures the Secured Obligations.

(g) Liens which are disclosed to the Lenders in Schedule 9.03.

Section 9.04 Restricted Payments. Parent and the Borrower will not, and will not permit any other Loan Party to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except, as long as no Default or Event of Default exists at the time such Restricted Payment is made or will occur as a result thereof, (a) Restricted Payments payable to any Loan Party other than Parent; and (b) Restricted Payments payable to Parent, to the extent that the aggregate value of all such Restricted Payments made during any fiscal year does not exceed \$2,000,000; provided that such Restricted Payments must be used by Parent in the ordinary course of business of the Loan Parties and must not be distributed to holders of Parent's Equity Interests or to any other Person.

Section 9.05 Investments, Loans and Advances. Parent and the Borrower will not, and will not permit any other Loan 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) Investments which are disclosed to the Lenders in Schedule 9.05.
- (b) accounts receivable and notes receivable arising from the grant of trade credit arising in the ordinary course of business.
- (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 acquisition thereof.
- (d) commercial paper maturing within one year from the date of acquisition thereof rated in one of the two highest grades by S&P or Moody's.
- (e) deposits maturing within one year from the date of creation thereof with, including certificates of deposit 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) Investments in money market or similar funds with assets of at least \$1,000,000,000 and rated Aaa by Moody's or AAA by S&P.
- (g) Investments (i) made by the Borrower in or to any Loan Parties or (ii) made by Loan Parties in or to each other or the Borrower.
- (h) if such Investment is made using the Net Cash Proceeds from the issuance of Equity Interests of the Parent or at the time of and immediately after giving pro forma effect to such Investment the ratio of Total Debt to EBITDAX is less than 2.00 to 1.00, Investments in:
 - (i) direct ownership interests in additional Oil and Gas Properties and oil and gas gathering systems related thereto or related to farm-out, farm-in, joint operating, joint venture or area of mutual interest agreements, gathering systems, pipelines or other similar arrangements which are usual and customary in the oil and gas exploration and production business located within the geographic boundaries of the United States of America; and
 - (ii) Persons engaged primarily in the business of acquiring, developing and producing Oil and Gas Properties within the geographic boundaries of the United States of America; provided that with respect to any Investment described in this clause (ii),

immediately after making such Investment, such Person becomes as Loan Party in accordance with Section 8.14.

(i) loans or advances to employees, officers or directors in the ordinary course of business of the Borrower or any of the other Loan Parties, in each case only as permitted by applicable law, including Section 402 of the Sarbanes Oxley Act of 2002, but in any event not to exceed \$1,000,000 in the aggregate at any time.

(j) Investments in stock, obligations or securities received in settlement of debts arising from Investments permitted under this Section 9.05 owing to the Borrower or any other Loan Party as a result of a bankruptcy or other insolvency proceeding of the obligor in respect of such debts or upon the enforcement of any Lien in favor of the Borrower or any of the other Loan Parties or in connection with the settlement of delinquent accounts and disputes with customers and suppliers; 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(j) exceeds \$250,000.

(k) Investments pursuant to Swap Agreements or hedging agreements otherwise permitted under this Agreement.

(l) other Investments not to exceed \$5,000,000 in the aggregate at any one time outstanding.

Section 9.06 Nature of Business: No International Operations. Parent and the Borrower will not allow any material change to be made in the character of its business as an independent oil and gas exploration and production company. The Loan Parties will not acquire or make any other expenditures (whether such expenditure is capital, operating or otherwise) in or related to any Oil and Gas Properties not located within the geographical boundaries of the United States. The Borrower will not acquire or create any Foreign Subsidiary.

Section 9.07 Proceeds of Loans. Parent and the Borrower will not permit the proceeds of the Loans to be used for any purpose other than those permitted by Section 7.23. No Loan Party nor any Person acting on behalf of the Borrower has taken or will take any action which causes 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 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. Except as could not reasonably be expected to result in a Material Adverse Effect, the Borrower will not, and will not permit any other Group Member to, at any time:

(a) Allow any ERISA event to occur.

(b) contribute to or assume an obligation to contribute to, or permit any Subsidiary to contribute to or assume an obligation to contribute to, any Multiemployer Plan.

(c) acquire, or permit any Subsidiary to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to any Subsidiary if such Person sponsors,

maintains or contributes to, or at any time in the six-year period preceding such acquisition has sponsored, maintained, or contributed to, any Multiemployer Plan.

Section 9.09 Sale or Discount of Receivables. Except for receivables obtained by the Loan Parties 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, Parent and the Borrower will not, and will not permit any other Loan Party to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

Section 9.10 Mergers, Etc. Neither the Borrower nor any other Loan Party will merge into or with or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, 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) (any such transaction, a “consolidation”), or liquidate or dissolve, except that (a) any Subsidiary of Borrower may be merged into or consolidated with (i) another Subsidiary of Borrower, so long as a Guarantor is the surviving business entity, or (ii) Borrower, so long as Borrower is the surviving business entity, (b) any Subsidiary of Parent (that is not a Subsidiary of Borrower) may be merged or consolidated with (i) a Subsidiary of Borrower, so long as a Guarantor is the surviving business entity, (ii) Borrower, so long as Borrower is the surviving business entity or (iii) another Subsidiary of Parent (that is not a Subsidiary of Borrower), so long as if either Subsidiary is a Guarantor, a Guarantor is the surviving business entity and (c) in connection with any disposition permitted by Section 9.11.

Section 9.11 Sale of Properties and Termination of Hedging Transactions. Parent and the Borrower will not, and will not permit any other Loan Party to, Transfer any Property (subject to Section 9.10) except for:

- (a) the sale of Hydrocarbons in the ordinary course of business (including oil and gas sold as produced and seismic data);
- (b) farmouts in the ordinary course of business of undeveloped acreage or undrilled depths and assignments in connection with such farmouts;
- (c) the sale or transfer of (i) equipment that is no longer necessary for the business of the Borrower or such other Loan Party or are replaced by equipment of at least comparable value and use and (ii) immaterial assets (including allowing any registrations or any applications for registration of any intellectual property to lapse or go abandoned in the ordinary course of business) and (iii) termination of leases and licenses in the ordinary course of business, in each case so long as, after giving effect to the disposition, no Event of Default would exist or result therefrom;
- (d) the sale or other disposition of any Oil and Gas Property to which no Proved Reserves are attributed and the pooling or unitization of Oil and Gas Properties to which no Proved Reserves are attributed, so long as, after giving effect to the disposition and the concurrent payment of Loans, no Event of Default would exist or result therefrom;
- (e) the sale or other disposition (including Casualty Events) of any Borrowing Base Property or any interest therein (including any Equity Interest in any Loan Party that owns Borrowing Base Property), or the termination, unwinding, cancellation or other disposition of Swap Agreements; provided that:

(i) 100% of the consideration received in respect of such sale or other disposition of any such Borrowing Base Property (or such Equity Interest) shall be cash;

(ii) (other than in respect of Casualty Events) the consideration received in respect of a sale or other disposition of such Borrowing Base Property or interest therein (or such Equity Interest) shall be equal to or greater than the fair market value of such Borrowing Base Property or interest therein (or such Equity Interest) subject of such sale or other disposition (as determined through a sale process in accordance with industry standards, and if requested by the Administrative Agent, the Borrower shall deliver a certificate of a Responsible Officer of the Borrower certifying to the foregoing); and

(iii) after giving effect to the disposition and the concurrent payment of Loans, no Event of Default would exist or result therefrom;

(f) Transfers of Properties from any Loan Party to another Loan Party;

(g) Casualty Events with respect to Properties that are not Oil and Gas Properties;

(h) Dispositions or discounts without recourse of accounts receivable in connection with the compromise or collection thereof in the ordinary course of business; and

(i) Transfers of Properties (not otherwise regulated by Section 9.11(a) through (h)) that are not included in the Borrowing Base for fair market value so long as, after giving effect to the Transfer, no Event of Default would exist or result therefrom.

Section 9.12 Sales and Leasebacks. Parent and the Borrower will not, and will not permit any other Loan Party to enter into any arrangement with any Person providing for the leasing by any Loan Party of real or personal property that has been or is to be sold or transferred by such Loan Party to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Loan Party.

Section 9.13 Environmental Matters. Parent and the Borrower will not, and will not permit any other Group Member to, (a) cause or knowingly permit any of its Property to be in violation of, or (b) do anything or knowingly permit anything to be done which will subject any such Property to any Remedial Work (other than Remedial Work done in the ordinary course of business) under, any Environmental Laws that could reasonably be expected to have a Material Adverse Effect; it being understood that clause (b) above will not be deemed as limiting or otherwise restricting any obligation to disclose any relevant facts, conditions and circumstances pertaining to such Property to the appropriate Governmental Authority.

Section 9.14 Transactions with Affiliates. Except for (x) payment of Restricted Payments permitted by Section 9.04 and (v) for transactions set forth on Schedule 9.14 (in each case consistent with past practices), Parent and the Borrower will not, and will not permit any other Loan Party to, enter into any material transaction, including any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than between Borrower and Loan Parties) unless such transactions are otherwise permitted under this Agreement and 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.

Section 9.15 Negative Pledge Agreements; Dividend Restrictions. Parent and the Borrower will not, and will not permit any other Loan Party to, create, incur, assume or suffer to exist any contract, agreement or understanding which in any way prohibits or restricts (a) the granting, conveying, creation or imposition of any Lien on any of its Property to secure the Secured Obligations or which requires the

consent of other Persons in connection therewith or (b) the Borrower or any other Loan Party from paying dividends or making distributions to any Loan Party or receiving any money in respect of Debt or other obligations owed to it, or which requires the consent of or notice to other Persons in connection therewith; provided that (i) the foregoing shall not apply to restrictions and conditions under the Loan Documents, (ii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of any asset or another Loan Party pending such sale; provided such restrictions and conditions apply only to the asset or other Loan Party that is to be sold and such sale is permitted hereunder and shall not apply to restrictions on cash earnest money deposits in favor of sellers in connection with acquisitions not prohibited hereunder, (iii) the foregoing shall not apply to customary provisions in joint venture agreements and other similar agreements applicable to joint ventures permitted hereunder and applicable solely to such joint venture and its equity and (iv) clause (a) of the foregoing shall not apply to (A) restrictions or conditions imposed by any agreement relating to Capital Leases or purchase money Debt permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Secured Obligations, (B) customary provisions in leases and licenses restricting the assignment thereof, (C) limitations and restrictions arising or existing by reason of applicable Governmental Requirement and (D) the Intercreditor Agreement, the Revolving Loan Documents and any agreement governing Permitted Refinancing Debt with respect to the Revolving Debt.

Section 9.16 Take-or-Pay or other Prepayments. Parent and the Borrower will not, and will not permit any other Loan Party to, allow take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any other Loan Party that would require the Borrower or such other Loan Party to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor.

Section 9.17 Swap Agreements. Parent and the Borrower will not, and will not permit any other Loan Party to, enter into any Swap Agreements with any Person other than (a) Swap Agreements (i) with a Secured Swap Provider or an Approved Counterparty, (ii) which have a tenor of less than five (5) years and (iii) the notional volumes for which (when aggregated and netted with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, as of the date such Swap Agreement is executed and at any time thereafter (such notional volumes to be based upon the projections contained in the then-most recently delivered Reserve Report), (A) 90% of the projected production from the Proved Reserves classified as Developed Producing Reserves attributable to the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for each month during the period commencing on the month when such Swap Agreement is executed and ending 30 months later; and (B) 80% of the projected production from the Proved Reserves classified as Developed Producing Reserves attributable to the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, for each month during the period commencing on 31st month after when such Swap Agreement is executed and ending on the 60th month after when such Swap Agreement is executed; provided that if the Borrower and the Required Lenders agree in writing (including by email), then (x) the notional volumes referred to in this Section 9.17(a)(iii) (when aggregated and netted with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) may instead not exceed a percentage of projected production from the Oil and Gas Properties of the Loan Parties for each of crude oil and natural gas, calculated separately, that is reasonably acceptable to the Required Lenders and agreed to by the Borrower and (v) the projections of notional volume upon which the percentage referred to in clause (x) are based may be as are reasonably acceptable to the Required Lenders and agreed to by the Borrower. (b) Swap Agreements in respect of interest rates with a Secured Swap Provider which do not exceed 50% of the then outstanding principal amount of the Borrower's Debt for borrowed money and do not have a tenor beyond the maturity date of the relevant Debt, and (c) Swap Agreements entered into by a Loan Parties with the purpose and effect of fixing prices on currency expected to be exchanged (x) from Dollars into Australian dollars or (y) from Australian dollars into Dollars, in each

case in the ordinary course of the Loan Parties' business and not for speculative purposes, provided that at all times: (i) no such Swap Agreements fixes a price for a period later than 12 months after such contract is entered into, (ii) the Loan Parties must maintain at all times Cash Equivalents at least equal to the aggregate notional amount of all such contracts, (iii) if any monthly notional amount of currency subject to any such Swap Agreements is on deposit in any Section 1031 tax-deferred exchange account (or other similar restricted account), then such amount must be permanently released from such account or restrictions prior to the date on which the Swap Agreements for such month is settled, (iv) each such contract is with an Approved Counterparty and (v) unless such Swap Agreement is being entered into in connection with an issuance of Equity Interests of Parent, the Administrative Agent has consented to the entry into such Swap Agreements: provided that (1) in no event shall any Swap Agreement contain any requirement, agreement or covenant for any Loan Party to post collateral or margin to secure their obligations under such Swap Agreement or to cover market exposures (other than under the Security Instruments), (2) Swap Agreements shall only be entered into in the ordinary course of business (and not for speculative purposes), and (3) no Swap Agreement in respect of commodities shall be terminated, unwound, cancelled or otherwise disposed of except to the extent permitted by Section 9.11: provided, further, that nothing in this Section 9.17 shall restrict the ability of the Loan Parties to enter into puts and floor contracts.

Section 9.18 Amendments to Organizational Documents and Material Contracts. Parent and the Borrower shall not, and shall not permit any other Loan Party to, (a) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) its Organizational Documents in any material respect that could reasonably be expected to be adverse to the interests of the Administrative Agent or the Lenders without the consent of the Administrative Agent (not to be unreasonably withheld or delayed), other than amendments that delete or reduce any fees payable by any Loan Party to a Person other than the Administrative Agent or any Lender, or (b) (A) amend, supplement or otherwise modify (or permit to be amended, supplemented or modified) any agreement to which it is a party, (B) terminate, replace or assign any of the Loan Party's interests in any agreement or (C) permit any agreement not to be in full force and effect and binding upon and enforceable against the parties thereto, in each case if such occurrence could be reasonably expected to result in a Material Adverse Effect.

Section 9.19 Changes in Fiscal Periods. Parent and the Borrower shall not, and shall not permit any other Loan Party to have its fiscal year end on a date other than December 31 or change the its method of determining fiscal quarters.

Section 9.20 Anti-Terrorism Laws. Parent and the Borrower shall not permit, and shall not permit the other Loan Parties to (a) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in Section 7.26 above, (b) deal in, or otherwise engage in any transaction relating to, any property of interests in property blocked pursuant to the Executive Order of any other Anti-Terrorism Law or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, (x) any of the prohibitions set forth in any Anti-Terrorism Law or (v) any prohibitions set forth in the rules or regulations issued by OFAC (and, in each case, the Borrower shall, and shall cause each of the Loan Parties to, promptly deliver or cause to be delivered to the Lenders any certification or other evidence requested from time to time by any Lender in its reasonable discretion, confirming the Loan Parties' compliance with this Section 9.20).

Section 9.21 Gas Imbalances. Parent and the Borrower shall not and shall not permit any other Loan Party to allow on a net basis gas imbalances with respect to the Oil and Gas Properties of the Borrower or any Loan Party that would require the Borrower or such Loan Party to deliver Hydrocarbons produced from their Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding two percent (2.0%) of the aggregate volumes of Hydrocarbons (on an Mcf equivalent basis) listed in the most recent Reserve Report.

Section 9.22 Anti-Layering.

(a) Parent and the Borrower will not, and will not permit any other Loan Party to, create, incur, assume or permit to exist any Lien on any of its Properties (now owned or hereafter acquired) that is junior to the Senior Liens (other than the Liens securing the Secured Obligations) unless such Lien is also junior to the Liens securing the Secured Obligations.

(b) Parent and the Borrower will not, and will not permit any other Loan Party to, incur, create, assume or suffer to exist any Debt that (i) is subordinate in right of payment (including via any “first-out” collateral proceeds waterfall or similar structure) to the Revolving Debt (or Permitted Refinancing Debt thereof) unless such Indebtedness is also subordinated in right of payment to the Secured Obligations, (ii) is expressed to be secured by the Collateral on a subordinated basis to the Revolving Debt (or Permitted Refinancing Debt thereof) and on a senior basis to the Secured Obligations, (iii) is expressed to rank or ranks so that the Lien securing such Debt is subordinated to any of the Revolving Debt (or Permitted Refinancing Debt thereof) but is senior to the Secured Obligations, (iv) is contractually subordinated in right of payment to any of the Revolving Debt (or Permitted Refinancing Debt thereof) and senior in right of payment to the Secured Obligations or (v) has payment priorities for repayment of principal of such Debt which would treat holders of such principal on a “first-out/last-out” basis with respect to proceeds of Collateral.

Section 9.23 Minimum Revenue Contracts. Parent and the Borrower will not, and will not permit any other Loan Party to, allow unutilized capacity under any minimum revenue commitment, minimum volume commitment or similar provision in any operating, gathering, handling, transportation, processing or marketing contracts attributable to the Oil and Gas Properties of the Borrower or any other Loan Party to exceed \$5,000,000 in the aggregate for any fiscal quarter. In the event of such shortfall, then the Borrower shall cure such shortfall, or cause such shortfall to be cured, within 90 days with the Net Cash Proceeds received from the issuance of Equity Interests of the Parent.

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 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) any Loan Party 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 the Borrower or any other Loan 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, notice, 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, to the extent that any such representation and warranty is qualified by materiality, such representation and

warranty (as so qualified) shall prove to have been incorrect in any respect when made or deemed made).

(d) the Borrower or any other Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 8.02(a), Section 8.03, Section 8.14 or in ARTICLE IX.

(e) the Borrower or any other Loan 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), Section 10.01(c) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the earlier to occur of (A) written notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender) or (B) a Responsible Officer of the Borrower or such other Loan Party otherwise becoming aware of such default.

(f) the Borrower or any other Loan Party shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any grace periods applicable thereto.

(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 the Borrower or any other Loan Party to make an offer in respect thereof.

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Loan Party, or its or their debts, or of a substantial part of its or their assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan Party or for a substantial part of its or their 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.

(i) the Borrower or any other Loan Party shall (i) 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, (ii) 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), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any other Loan Party or for a substantial part of its or their assets, (iv) file an answer admitting the material allegations of a petition filed against it or them in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) take any action for the purpose of effecting any of the foregoing; or (vii) become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(j) one or more judgments for the payment of money in an aggregate amount in excess of \$4,000,000 (to the extent not covered by independent third party insurance as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) shall be rendered against any Loan Party or any combination thereof and the same shall remain undischarged 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 Loan Party to enforce any such judgment.

(k) any Loan Documents after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Borrower or a Loan Party thereto or shall be repudiated by any of them, except to the extent permitted by the terms of this Agreement, or the Borrower or any other Loan Party or any of their Affiliates shall so state in writing.

(l) a Change in Control shall occur.

(m) the Intercreditor Agreement, after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with its terms against the Borrower or any other party thereto or shall be repudiated in writing by the Borrower or any Guarantor, or any payment by the Borrower or any Guarantor in violation of the terms of the Intercreditor Agreement.

Section 10.02 Remedies.

(a) In the case of an Event of Default (other than one described in Section 10.01(h) or Section 10.01(i)), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may with the consent of the Required Lenders or shall at the request of the Required Lenders, by notice to the Borrower, take either or both of the following actions, at the same or different times:

(i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and

(ii) by written notice to the Borrower, 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, any Applicable Premium Amount then due (including after giving effect to the immediately following paragraph), any Make Whole Amount then due (including after giving effect to the immediately following paragraph), and all fees and other obligations of the Loan Parties accrued hereunder and under the Notes and the other Loan Documents shall become due and payable immediately, without presentment, demand (other than written notice), protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by each Loan Party; and in case of an Event of Default described in Section 10.01(h) or Section 10.01(i), the Commitments shall automatically terminate and the Notes and the principal of the Loans then outstanding, together with accrued interest thereon, any Applicable Premium Amount then due (including after giving effect to the immediately following paragraph), any Make Whole Amount then due (including after giving effect to the immediately following paragraph), and all fees and the other obligations of the Borrower and the other Loan Parties accrued hereunder and under the Notes and the other Loan Documents shall automatically and immediately become due and payable, 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 each Loan Party.

Without limiting the generality of the foregoing, it is understood and agreed that if, prior to the Maturity Date, the Loans are accelerated or otherwise become due, in each case, in respect of any Event of Default (including, but not limited to, upon the occurrence of a bankruptcy or insolvency event (including the acceleration of claims by operation of law) (a “Make Whole Event”), the Applicable Premium Amount and the Make Whole Amount that would have applied if, at the time of such acceleration, the Borrower had (i) paid, prepaid, refinanced, substituted or replaced all of the Loans as contemplated in Sections 3.01 and/or 3.04 will also be automatically and immediately due and payable and, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of the Lenders’ lost profits as a result thereof, the Applicable Premium Amount and the Make Whole Amount shall constitute part of the Secured Obligations. Any Applicable Premium Amount and the Make Whole Amount payable above shall be presumed to be the liquidated damages sustained by the Lenders as the result of payment or acceleration, as applicable, prior to the Maturity Date and the Borrower and Guarantors agree that the Applicable Premium Amount and the Make Whole Amount are reasonable under the circumstances currently existing. The Applicable Premium Amount and the Make Whole Amount shall also be payable in the event the Secured Obligations (and/or this Agreement) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure or by any other similar means. **THE BORROWER AND EACH GUARANTOR EXPRESSLY WAIVES (TO THE FULLEST EXTENT IT MAY LAWFULLY DO SO) THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW THAT PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE FOREGOING APPLICABLE PREMIUM AMOUNT OR THE MAKE WHOLE AMOUNT IN CONNECTION WITH ANY SUCH ACCELERATION.** The Borrower and each Guarantor expressly agrees (to the fullest extent that it may lawfully do so) that: (A) the Applicable Premium Amount and the Make Whole Amount are reasonable and are the product of an arm’s length transaction between sophisticated business people, ably represented by counsel; (B) the Applicable Premium Amount and the Make Whole Amount shall be payable notwithstanding the then prevailing market rates at the time payment is made; (C) there has been a course of conduct between the Lenders and the Borrower and Guarantors giving specific consideration in this transaction for such agreement to pay the Applicable Premium Amount and the Make Whole Amount; and (D) the Borrower and each Guarantor shall each be estopped hereafter from claiming differently than as agreed to in this paragraph. The Borrower and each Guarantor expressly acknowledges that its agreement to pay the Applicable Premium Amount and the Make Whole Amount to the Lenders as herein described is a material inducement to the Lenders to provide the Commitments and make the Loans. In the case of any Event of Default occurring by reason of any willful action or inaction taken or not taken by or on behalf of the Borrower or any Guarantor with the intention of avoiding payment of the Applicable Premium Amount and the Make Whole Amount that the Borrower would have had to pay if the Borrower then had elected to pay the Loans prior to the Maturity Date pursuant to Section 3.01 and/or 3.04, an equivalent premium, without duplication, will become and be immediately due and payable to the extent permitted by law upon the acceleration of the Loans.

(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 Loans, whether by acceleration or otherwise, shall be applied:

(i) first, to payment or reimbursement of that portion of the Secured 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 Secured Obligations constituting fees, expenses and indemnities payable to the Lenders;

- (iii) third, pro rata to payment of accrued interest on the Loans;
- (iv) fourth, pro rata to payment of principal outstanding on the Loans;
- (v) fifth, pro rata to any other Secured Obligations; and
- (vi) sixth, any excess, after all of the Secured Obligations shall have been indefeasibly paid in full in cash, shall be paid to the Borrower or as otherwise required by any Governmental Requirement.

ARTICLE XI

The Administrative Agent

Section 11.01 Appointment; Powers. Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Section 11.02 Duties and Obligations of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing (the use of the term “agent” herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law; rather, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties), (b) the Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except as provided in Section 11.03, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any Loan Party that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Loan Document or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in ARTICLE VI or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or as to those conditions precedent expressly required to be to the Administrative Agent’s satisfaction, (vi) the existence, value, perfection or priority of any collateral security or the financial or other condition of the Borrower and the other Group Members or any other obligor or guarantor, or (vii) any failure by the Borrower or any other Person (other than itself) to perform any of its obligations hereunder or under any other Loan Document or the performance or observance of any covenants, agreements or other terms or conditions set forth herein or therein. For purposes of determining compliance with the conditions specified in ARTICLE VI, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the Effective Date specifying its objection thereto.

Section 11.03 Action by Administrative Agent. The Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) and in all cases the Administrative Agent shall be fully justified in failing or refusing to act hereunder or under any other Loan Documents unless it shall (a) receive written instructions from the Required Lenders or the Lenders, as applicable, (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) specifying the action to be taken and (b) be indemnified to its satisfaction by the Lenders against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action. The instructions as aforesaid and any action taken or failure to act pursuant thereto by the Administrative Agent shall be binding on all of the Lenders. If a Default has occurred and is continuing, then the Administrative Agent shall take such action with respect to such Default as shall be directed by the requisite Lenders in the written instructions (with indemnities) described in this Section 11.03, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders. In no event, however, shall the Administrative Agent be required to take any action which, in its opinion, or the opinion of its counsel, exposes the Administrative Agent to liability or which is contrary to this Agreement, the Loan Documents or applicable law, including, for the avoidance of doubt, any action that may be in violation of the automatic stay under any Debtor Relief Law. If a Default has occurred and is continuing, no Agent shall have any obligation to perform any act in respect thereof. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or the Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02), and otherwise the Administrative Agent shall not be liable for any action taken or not taken by it hereunder or under any other Loan Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith **INCLUDING ITS OWN ORDINARY NEGLIGENCE, except for its own gross negligence or willful misconduct.**

Section 11.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon and each of the Borrower and the Lenders hereby waives the right to dispute the Administrative Agent's record of such statement, except in the case of gross negligence or willful misconduct by the Administrative Agent. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof permitted hereunder shall have been filed with the Administrative Agent.

Section 11.05 Subagents. The Administrative Agent may perform any and all of its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this ARTICLE XI shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 11.06 Resignation of Administrative Agent.

(a) Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 11.06, the Administrative Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (the “Resignation Effective Date”), then the retiring Administrative Agent may, on behalf of the Lenders, appoint a qualified financial institution as successor Administrative Agent.

(b) If at any time (i) the amount of the Administrative Agent’s Loans then outstanding is less than \$15,000,000 and (ii) the Required Lenders provide written notice of their justification to do so, the Required Lenders may, to the extent permitted by any Governmental Requirement, by notice in writing to the Borrower and the Administrative Agent remove the Administrative Agent and, in consultation with the Borrower, appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days (or such earlier day as shall be agreed by the Required Lenders) (the “Removal Effective Date”), then such removal shall nonetheless become effective in accordance with such notice on the Removal Effective Date.

(c) Upon the Resignation Effective Date or the Removal Effective Date (as applicable), a successor Administrative Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent’s resignation or removal hereunder, the provisions of this ARTICLE XI and Section 12.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Section 11.07 Administrative Agent as Lender. The Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any other Group Member or other Affiliate thereof as if it were not the Administrative Agent hereunder.

Section 11.08 No Reliance. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent, any other Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Loan Document to which it is a party. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or any other Lender, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder. The Agents shall not be required to keep themselves informed as to the performance or observance by the Borrower, or any of the other Group Members of this Agreement, the Loan Documents or any other document referred to or provided for herein or to inspect the Properties or books of any such Person. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent nor any Arranger shall have any duty or responsibility

to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower or any Group Member (or any of their Affiliates) which may come into the possession of such Agent or any of its Affiliates. In this regard, each Lender acknowledges that Simpson Thacher & Bartlett LLP is acting in this transaction as special counsel to the Administrative Agent only, except to the extent otherwise expressly stated in any legal opinion or any Loan Document. Each other party hereto will consult with its own legal counsel to the extent that it deems necessary in connection with the Loan Documents and the matters contemplated therein.

Section 11.09 Administrative Agent May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any of the other Group Members, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Secured Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 3.05 and Section 12.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 3.05 and Section 12.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Secured Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 11.10 Authority of Administrative Agent to Release Collateral and Liens. The Lenders:

(a) irrevocably authorize the Administrative Agent to comply with the provisions of Section 12.18.

(b) authorize the Administrative Agent to execute and deliver to the Loan Parties, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments or other documents as reasonably requested by such Loan Party in connection with any Disposition of Property to the extent such Disposition is permitted by the terms of Section 9.11 or is otherwise authorized by the terms of the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guarantee and Collateral Agreement pursuant to this Section 11.10 or Section 12.18.

Section 11.11 Duties of the Arranger. The Arranger shall not have any duties, responsibilities or liabilities under this Agreement and the other Loan Documents.

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, as follows:

(i) if to the Borrower, to it at 633 17th Street, Suite 1950, Denver, Colorado 80202, Attention: Eric P. McCrady (Telephone 303-543-5700);

(ii) if to the Parent, to it at 633 17th Street, Suite 1950, Denver, Colorado 80202, Attention: Eric P. McCrady (Telephone 303-543-5700);

(iii) if to the Administrative Agent, to it at 1585 Broadway, 16th Floor, New York, New York 10036, Attention: David Lazarus (Telephone 212-296-8134); and

(iv) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications 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.

(c) 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, any other Agent or 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, each other Agent, 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 any Loan Party 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 shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any other Agent, or any Lender may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof nor any Loan Document 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/or the other applicable Loan Parties and the Required Lenders or by the Borrower and/or the other applicable Loan Parties and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) [Reserved], (ii) [Reserved], (iii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, or reduce any other Secured Obligations hereunder or under any other Loan Document, without the written consent of each Lender directly affected thereby, (iv) postpone the scheduled date of payment or prepayment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or any other Secured Obligations hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Maturity Date without the written consent of each Lender directly affected thereby, (v) change Section 4.01(b) or Section 4.01(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) waive or amend Section 3.04(c)-(d), Section 6.01, Section 10.02(c) or Section 12.18 without the written consent of each Lender directly affected thereby, (vii) release any Guarantor (except as set forth in Section 11.10 or the Guarantee and Collateral Agreement), release all or substantially all of the Collateral (other than as provided in Section 11.10), or reduce the percentages set forth in Section 8.14(a), without the written consent of each Lender, (viii) change any of the provisions of this Section 12.02(b) or the definitions of "Required 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; (ix) [Reserved]; or (x) other than the Intercreditor Agreement, the Revolving Loan Documents or any Permitted Refinancing Debt of the Revolving Loan Documents, contractually subordinate the payment of all the Secured Obligations to any other Debt or contractually subordinate the priority of any of the Administrative Agent's Liens to the Liens securing any other Debt, in each case, 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 hereunder or under any other Loan Document without the prior written consent of the Administrative Agent. Notwithstanding the foregoing, any supplement to any Schedule 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. Notwithstanding the foregoing, the Borrower and the Administrative Agent may amend this Agreement or any other Loan Document without the consent of the Lenders in order to correct, amend or cure any ambiguity, inconsistency or defect or correct any typographical error or other manifest error in any Loan Document.

Section 12.03 Expenses, Indemnity; Damage Waiver.

(a) Parent and the Borrower, jointly and severally, shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable and documented fees, charges and disbursements of one primary counsel for the Administrative Agent and its Affiliates and to the extent necessary as reasonably determined by the Administrative Agent, other outside consultants for the Administrative Agent, the reasonable and documented travel, photocopy, mailing, courier, telephone, distributions, insurance, CUSIP or LXID registration or other similar fees, bank meetings and other similar expenses, and the reasonable and documented 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), (ii) reasonable and documented all costs, expenses, Taxes, assessments and other charges incurred by the Administrative Agent in connection with any search, filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, and (iii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, any other Agent or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any other Agent 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 hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans (including, without limitation, periodic collateral/financial control, field examinations, asset appraisal expenses, the monitoring of assets, enforcement or rights and other miscellaneous disbursements).

(b) PARENT AND THE BORROWER, JOINTLY AND SEVERALLY, SHALL INDEMNIFY EACH AGENT, THE ARRANGER, 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 ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE AND DOCUMENTED OUT-OF-POCKET FEES, CHARGES AND DISBURSEMENTS OF ONE FIRM OF COUNSEL FOR ALL INDEMNITEES TAKEN AS A WHOLE (AND, IF NECESSARY, BY A SINGLE FIRM OF LOCAL COUNSEL IN EACH APPROPRIATE JURISDICTION FOR ALL INDEMNITEES, TAKEN AS A WHOLE (AND, IN THE CASE OF AN ACTUAL OR PERCEIVED CONFLICT OF INTEREST WHERE THE INDEMNITEE AFFECTED BY SUCH CONFLICT INFORMS THE BORROWER OF SUCH CONFLICT AND THEREAFTER RETAINS ITS OWN COUNSEL, OF ANOTHER FIRM OF COUNSEL FOR SUCH AFFECTED INDEMNITEE)), INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (i) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, (ii) 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, (iii) THE FAILURE OF THE BORROWER OR ANY LOAN PARTY TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL

REQUIREMENT, (iv) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE BORROWER OR ANY LOAN PARTY SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (v) ANY LOAN OR THE USE OF THE PROCEEDS THEREFROM, (vi) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vii) THE OPERATIONS OF THE BUSINESS OF THE BORROWER OR ANY OTHER GROUP MEMBER BY SUCH PERSONS, (viii) ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (ix) ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY OTHER GROUP MEMBER OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT OF OIL, OIL AND GAS WASTES, SOLID WASTES OR HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, (x) THE BREACH OR NON-COMPLIANCE BY THE BORROWER OR ANY OTHER GROUP MEMBER WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY OTHER GROUP MEMBER, (xi) THE PAST OWNERSHIP BY THE BORROWER OR ANY OTHER GROUP MEMBER 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, (xii) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT, DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL OF OIL, OIL AND GAS WASTES, SOLID WASTES OR HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE BORROWER OR ANY OTHER GROUP MEMBER OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE BORROWER OR ANY OTHER GROUP MEMBER, (xiii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE BORROWER OR ANY OTHER GROUP MEMBER, (xiv) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, WHETHER BROUGHT BY A THIRD PARTY OR BY ANY LOAN PARTY, 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 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 INCLUDING ORDINARY NEGLIGENCE; 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 (X) ARISE FROM THE GROSS NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE, (Y) ARISE SOLELY OUT OF ANY CLAIM, ACTION, INQUIRY, SUIT, LITIGATION, INVESTIGATION OR PROCEEDING THAT DOES NOT INVOLVE AN ACT OR OMISSION OF ANY LOAN PARTY, ANY OF THEIR AFFILIATES OR SUBSIDIARIES AND THAT IS BROUGHT BY AN INDEMNITEE AGAINST ANY OTHER INDEMNITEE (OTHER THAN ANY CLAIM, ACTION, SUIT, INQUIRY, LITIGATION, INVESTIGATION OR PROCEEDING AGAINST

THE ADMINISTRATIVE AGENT IN ITS CAPACITY OR IN FULFILLING ITS ROLE AS AN ADMINISTRATIVE AGENT OR (Z) RELATE TO TAXES, WHICH SHALL BE SUBJECT TO INDEMNIFICATION PURSUANT TO SECTION 5.02.

(c) NEITHER PARENT NOR THE BORROWER SHALL, WITHOUT THE PRIOR WRITTEN CONSENT OF EACH INDEMNITEE AFFECTED THEREBY, SETTLE ANY THREATENED OR PENDING CLAIM OR ACTION THAT WOULD GIVE RISE TO THE RIGHT OF ANY INDEMNITEE TO CLAIM INDEMNIFICATION HEREUNDER UNLESS SUCH SETTLEMENT (X) INCLUDES A FULL AND UNCONDITIONAL RELEASE OF ALL LIABILITIES ARISING OUT OF SUCH CLAIM OR ACTION AGAINST SUCH INDEMNITEE, (Y) DOES NOT INCLUDE ANY STATEMENT AS TO OR AN ADMISSION OF FAULT, CULPABILITY OR FAILURE TO ACT BY OR ON BEHALF OF SUCH INDEMNITEE AND (Z) REQUIRES NO ACTION ON THE PART OF THE INDEMNITEE OTHER THAN ITS CONSENT.

(d) NO INDEMNITEE SEEKING INDEMNIFICATION OR CONTRIBUTION UNDER THIS AGREEMENT WILL, WITHOUT THE BORROWER'S WRITTEN CONSENT (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD, DELAYED OR CONDITIONED), SETTLE, COMPROMISE, CONSENT TO THE ENTRY OF ANY JUDGMENT IN OR OTHERWISE SEEK TO TERMINATE ANY INVESTIGATION, LITIGATION OR PROCEEDING REFERRED TO HEREIN; HOWEVER IF ANY OF THE FOREGOING ACTIONS IS TAKEN WITH THE BORROWER'S CONSENT OR IF THERE IS A FINAL AND NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION FOR THE PLAINTIFF IN ANY SUCH INVESTIGATION, LITIGATION OR PROCEEDING, THE BORROWER AGREES TO INDEMNIFY AND HOLD HARMLESS EACH INDEMNITEE FROM AND AGAINST ANY AND ALL ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES BY REASON OF SUCH ACTION OR JUDGMENT IN ACCORDANCE WITH THE PROVISIONS OF THE PRECEDING PARAGRAPHS. NOTWITHSTANDING THE IMMEDIATELY PRECEDING SENTENCE, IF AT ANY TIME AN INDEMNITEE SHALL HAVE REQUESTED INDEMNIFICATION OR CONTRIBUTION IN ACCORDANCE WITH THIS AGREEMENT, PARENT AND THE BORROWER SHALL BE LIABLE FOR ANY SETTLEMENT OR OTHER ACTION REFERRED TO IN THE IMMEDIATELY PRECEDING SENTENCE EFFECTED WITHOUT THE BORROWER'S CONSENT IF (A) SUCH SETTLEMENT OR OTHER ACTION IS ENTERED INTO MORE THAN 30 DAYS AFTER RECEIPT BY THE BORROWER OF SUCH REQUEST FOR SUCH INDEMNIFICATION OR CONTRIBUTION AND (B) THE BORROWER SHALL NOT HAVE PROVIDED SUCH INDEMNIFICATION OR CONTRIBUTION IN ACCORDANCE WITH SUCH REQUEST PRIOR TO THE DATE OF SUCH SETTLEMENT OR OTHER ACTION.

(e) No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby, except to the extent that such damages have resulted from the willful misconduct, bad faith or gross negligence of any Indemnitee (as determined by a final non-appealable judgment of a court of competent jurisdiction).

(f) To the extent that Parent or the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, any Agent or any Arranger under Section 12.03(a) or (b), each Lender severally agrees to pay to the Administrative Agent, such Agent or such Arranger, as the case may be, such Lender's Applicable Percentage (as 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 the Administrative Agent, such Agent or such Arranger in its capacity as such.

(g) To the extent permitted by applicable law, Parent and the Borrower shall not, and shall cause each Group Member not to, assert, and hereby waives, any claim against any Indemnitee, 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 the use of the proceeds thereof. No Indemnitee, Loan Party or Subsidiary shall be liable for any 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 the use of the proceeds thereof.

(h) All amounts due under this Section 12.03 shall be payable not later than 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, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) 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, Participants (to the extent provided in Section 12.04(c)) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent 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 (each an “Assignee”) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Loans at the time owing to it) with the prior written consent of:

(A) the Borrower (such consent not to be unreasonably withheld or delayed); provided that no consent of the Borrower shall be required if (1) an Event of Default has occurred and is continuing or (2) at any other time, such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided further, that the Borrower shall be deemed to have consented to any such assignment unless the Borrower shall object thereto by written notice to the Administrative Agent with five (5) Business Days after having received written notice thereof; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an Assignee that is a Lender (or an Affiliate of 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, an Affiliate of a Lender, an Approved Fund 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 \$2,500,000 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 \$4,000, payable by the assigning Lender; and

(D) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) the Assignee must not be a natural person or an Affiliate or Subsidiary of the Borrower.

(i i i) Subject to Section 12.04(b)(iv) and the acceptance and recording thereof, 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 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 Section 12.04(c).

(iv) The Administrative Agent, acting solely 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 principal amount (and stated interest) of the Loans 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, 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 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 Annex I and forward a copy of such revised Annex I to the Borrower 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 and, if required hereunder, applicable tax forms (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in this Section 12.04(b) and any written consent to such assignment required by this Section 12.04(b), 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) Notwithstanding the foregoing, no assignment or participation shall be made to any Loan Party or any Affiliate of a Loan Party.

(c) (i) Any Lender may at any time, without the consent of, or notice to, the Borrower, the Administrative Agent or any other Person, sell participations to any Person (other than a natural Person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (C) the Borrower, the Administrative Agent, 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 (D) the selling Lender shall maintain the Participant Register. 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 first proviso to Section 12.02(b) 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(c)(ii), the Borrower agrees that each Participant shall be entitled to the benefits of Section 5.01, and Section 5.02 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 4.01(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an 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 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 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.

(ii) A Participant shall not be entitled to receive any greater payment under Section 5.01 or Section 5.02 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. A Participant that would be a Non-U.S. Lender if it were a Lender shall not be entitled to the benefits of Section 5.02 unless such Participant agrees, for the benefit of the Borrower, to comply with Section 5.02(g) as though it were a Lender (it being understood the documentation required under Section 5.02(g) shall be provided only to the selling Lender).

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or a central bank, and this Section 12.04(d) 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.

(e) 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 and the other Loan Parties 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 Loan 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 other Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any other Agent 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 other Secured Obligations are outstanding and so long as the Commitments have not expired or been terminated. The provisions of Section 5.01, Section 5.02 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 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 Secured 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 Secured Obligations 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 Borrower shall, and shall cause each other Loan Party to, 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 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 obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any of and all the obligations of the Borrower or any other Loan 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.

(a) THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY: SUBMITS (AND PARENT AND THE BORROWER SHALL CAUSE EACH GROUP MEMBER 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 DISTRICT COURTS OF THE STATE OF NEW YORK AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND APPELLATE COURTS FROM ANY THEREOF; 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 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.

(c) EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS SPECIFIED IN SECTION 12.01 OR SUCH OTHER ADDRESS AS IS SPECIFIED PURSUANT TO SECTION 12.01 (OR ITS ASSIGNMENT AND ASSUMPTION), SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANOTHER PARTY IN ANY OTHER JURISDICTION.

(d) 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.

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 and the Lenders (severally and not jointly) agrees to maintain the confidentiality of the Information (as defined below), except that

Information may be disclosed (a) 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 required to keep such Information confidential), (b) to the extent requested by any regulatory authority having authority over the Administrative Agent or any Lender, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) 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, (f) subject to an agreement containing provisions substantially the same as those of this Section 12.11, to (i) any Assignee of or Participant in, or any prospective Assignee of or Participant in, any of its rights or obligations under this Agreement (provided that such Person agrees to be bound by the provisions of this Section 12.11) or (ii) any actual or prospective counterparty (or its advisors) to any Swap Agreement relating to the Borrower and its obligations (provided that such Person agrees to be bound by the provisions of this Section 12.11), (g) on a confidential basis to the CUSIP Service Bureau, IHSMarkit or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to this Agreement or the Loans, or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 12.11 or (ii) becomes available to the Administrative Agent 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 Parent, the Borrower or any Subsidiary relating to Parent, the Borrower or any Subsidiary and their businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by Parent, the Borrower or a Subsidiary. 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 New York 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: (a) 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 Loans or 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 Secured Obligations (or, to the extent that the principal amount of the Secured Obligations shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (b) in the event that the maturity of the Loans or 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 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 Debt (or, to the extent that the principal amount of the Debt 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 (i) 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 (ii) 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 [Reserved].

Section 12.14 No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans hereunder are solely for the benefit of the Borrower, and no other Person (including any other Loan Party of the Borrower, any obligor, contractor, subcontractor, supplier or materialsman) shall have any rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent or any Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.15 EXCULPATION PROVISIONS. 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."

Section 12.16 USA Patriot Act Notice. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Patriot Act.

Section 12.17 Flood Insurance Provisions. Notwithstanding any provision in this Agreement or any other Loan Document to the contrary, in no event is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Agreement or any other Loan Document. As used herein, "Flood Insurance Regulations" means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect

or any successor statute thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time, (d) the Flood Insurance Reform Act of 2004 and (e) the Biggert-Waters Flood Reform Act of 2012, and any regulations promulgated thereunder.

Section 12.18 Releases.

(a) Release Upon Payment in Full. Upon (i) the irrevocable and indefeasible payment in full in cash of all principal, interest (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) and premium, if any, on all Loans outstanding under the Credit Agreement and (ii) the payment in full in cash or posting of cash collateral in respect of all other obligations or amounts that are outstanding under the Credit Agreement (other than indemnity obligations not yet due and payable of which the Borrower has not received a notice of potential claim), (the satisfaction of each of the foregoing clauses (i) through (ii), "Payment in Full") the Administrative Agent, at the written request and expense of the Borrower, will promptly release, reassign and transfer the Collateral to the Loan Parties.

(b) Further Assurances. If any of the Collateral shall be sold, transferred or otherwise disposed of by any Loan Party in a transaction permitted by the Loan Documents, such Collateral shall be automatically released from the Liens created by the Loan Documents and the Administrative Agent, at the request and sole expense of the applicable Loan Party, shall promptly execute and deliver to such Loan Party all releases or other documents reasonably necessary or desirable for the release of the Liens created by the applicable Security Instrument on such Collateral. At the request and sole expense of the Borrower, a Loan Party shall be released from its obligations under the Loan Documents in the event that all the capital stock or other Equity Interests of such Loan Party shall be sold, transferred or otherwise disposed of in a transaction permitted by the Loan Documents; provided that the Borrower shall have delivered to the Administrative Agent, at least five Business Days (or such shorter period as the Administrative Agent may agree in its sole discretion) prior to the date of the proposed release, a written request for release identifying the relevant Loan Party and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with this Agreement and the other Loan Documents.

Section 12.19 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, to the extent such liability is unsecured, 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 undertaking, 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 12.20 Intercreditor Agreements. Each Lender hereunder (a) acknowledges that it has received a copy of the Intercreditor Agreement, (b) consents to the subordination of Liens provided for in the Intercreditor Agreement, (c) agrees that it will be bound by and will not take any actions contrary to the provisions of the Intercreditor Agreement and (d) authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement as Second Priority Representative and on behalf of such Lender.

Section 12.21 Effect of Amendment and Restatement. On the Effective Date, the Existing Credit Facilities shall be amended and restated in their entirety as set forth herein. This Agreement has been given in renewal, extension, rearrangement and increase, and not in extinguishment of the obligations under the Existing Credit Facilities and the notes and other documents related thereto. This Agreement does not constitute a novation of the obligations and liabilities under the Existing Credit Facilities or evidence repayment of any such obligations and liabilities. Additionally, the substantive rights and obligations of the parties hereto shall be governed by this Agreement, rather than the Existing Credit Facilities. Without limitation of any of the foregoing, (a) this Agreement shall not in any way release or impair the rights, duties, Secured Obligations (as defined in the Existing Credit Facilities) to the extent in force and effect thereunder as of the Effective Date and except as modified hereby or by documents, instruments and agreements executed and delivered in connection herewith, and all of such rights, duties, Secured Obligations are assumed, ratified and affirmed by the Parent, the Borrower and each of the Guarantors; (b) all indemnification obligations of the Parent and the Borrower and each of the Guarantors under the Existing Credit Facilities shall survive the execution and delivery of this Agreement and shall continue in full force and effect for the benefit of the Lenders (as defined in the Existing Credit Facilities) and any other Person indemnified under the Existing Credit Facilities at any time prior to the Effective Date; (c) the Secured Obligations incurred under the Existing Credit Facilities shall, to the extent outstanding on the Effective Date, continue outstanding under this Agreement and shall not be deemed to be paid, released, discharged or otherwise satisfied by the execution of this Agreement, and this Agreement shall not constitute a refinancing, substitution or novation of such Debt or any of the other rights, duties and obligations of the parties hereunder; and (d) any and all references to the Existing Credit Facilities in any of the Loan Documents shall (as defined in the Existing Credit Facilities), without further action of the parties, be deemed a reference to the Existing Credit Facilities, as amended and restated by this Agreement, and as this Agreement shall be further amended, restated, supplemented or otherwise modified from time to time, and any and all references to the "Loan Documents" (as defined in the Existing Credit Facilities) in any such Loan Documents shall be deemed a reference to the Loan Documents under the Existing Credit Facilities, as amended and restated by this Agreement, and as this Agreement shall be further amended, restated, supplemented or otherwise modified from time to time.

[SIGNATURES BEGIN NEXT PAGE]

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

PARENT:SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

BORROWER:SUNDANCE ENERGY, INC.

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

Signature Page
Amended and Restated
Credit Agreement

ADMINISTRATIVE AGENT: MORGAN STANLEY ENERGY CAPITAL INC.,

as Administrative Agent

By:

Name: _____
Title: Vice President

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Credit Agreement

LENDER: MORGAN STANLEY CAPITAL GROUP INC.,
as a Lender

By: _____
Name: Parker Corbin
Title: Vice President

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Credit Agreement

LENDER: [_____] ,
as a Lender

By: _____
Authorized Officer

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Amended and Restated
Credit Agreement

ANNEX I

LIST OF COMMITMENTS

Name of Lender	Applicable Percentage	Commitment
AG ENERGY FUNDING, LLC	30.000000000%	\$75,000,000.00
AMISSIMA DIVERSIFIED INCOME ICAV	2.000000000%	\$5,000,000.00
APOLLO MOULTRIE CREDIT FUND, L.P.	2.989600000%	\$7,474,000.00
APOLLO TACTICAL VALUE SPN INVESTMENTS, L.P.	7.624000000%	\$19,060,000.00
APOLLO TOWER CREDIT FUND, L.P.	4.955600000%	\$12,389,000.00
APOLLO KINGS ALLEY CREDIT FUND, L.P.	1.916400000%	\$4,791,000.00
APOLLO UNION STREET PARTNERS, L.P.	1.514400000%	\$3,786,000.00
APOLLO ATLAS MASTER FUND, LLC	4.000000000%	\$10,000,000.00
APOLLO TR OPPORTUNISTIC LTD	1.754000000%	\$4,385,000.00
APOLLO TR ENHANCED LEVERED YIELD LLC	1.000000000%	\$2,500,000.00
ARES CAPITAL CORPORATION	24.283402680%	\$60,708,506.70
ARES CREDIT STRATEGIES INSURANCE DEDICATED FUND SERIES OF SALI MULTI-SERIES FUND, L.P.	0.182078128%	\$455,195.32
ARES DIRECT FINANCE I LP	1.134519192%	\$2,836,297.98
BAYLOR COLLEGE OF MEDICINE	0.158400000%	\$396,000.00
BLACKGOLD OPPORTUNITY FUND LP	3.257200000%	\$8,143,000.00
BLACKGOLD OPPORTUNITY FUND II LP	0.069200000%	\$173,000.00
BLACKGOLD PRIVATE ENERGY PARTNERS LP	0.234400000%	\$586,000.00
BLACKGOLD PRIVATE ENERGY PARTNERS II LP	2.197200000%	\$5,493,000.00
CION ARES DIVERSIFIED CREDIT FUND	0.400000000%	\$1,000,000.00

Exhibit A

MORGAN STANLEY CAPITAL GROUP INC.	7.0000000000%	\$17,500,000.00
MINION TRAIL LTD	0.0836000000%	\$209,000.00
MPI (LONDON) LIMITED	0.2460000000%	\$615,000.00
MT. WHITNEY SECURITIES, LLC	1.0000000000%	\$2,500,000.00
TRANQUILIDADE DIVERSIFIED INCOME ICAV	2.0000000000%	\$5,000,000.00
TOTAL:	100.0000000000%	\$ 250,000,000.00

Exhibit A

EXHIBIT A
FORM OF NOTE

[], 20[]

FOR VALUE RECEIVED, SUNDANCE ENERGY, INC., a Colorado Corporation, (the “Borrower”), hereby promises to pay to [Y] (the “Lender”), at the principal office of Morgan Stanley Energy Capital Inc. (the “Administrative Agent”), the principal sum equal to the aggregate unpaid principal amount of the Loans made by the Lender to the Borrower under the Credit Agreement (as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, interest rate and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, may be recorded by the Lender on the schedules attached hereto or any continuation thereof or on any separate record maintained by the Lender. Failure to make any such notation or to attach a schedule shall not affect the Lender’s or the Borrower’s rights or obligations in respect of such Loans or affect the validity of such transfer by the Lender of this Note.

This Note is one of the Notes referred to in the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 among the Parent, the Borrower, the Administrative Agent, and the lenders signatory thereto (including the Lender), and evidences Loans made by the Lender thereunder (such Amended and Restated Term Loan Credit Agreement, as the same may be amended, restated, amended and restated, modified, or otherwise supplemented from time to time, the “Credit Agreement”). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to, and is subject to the terms and conditions set forth in, the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the other Loan Documents. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

If this Note is placed into the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court or in any bankruptcy, receivership, debtor relief, probate or other court proceedings, the Borrower agrees to pay all fees and expenses to the holder hereof as and to the extent required by the Credit Agreement in addition to the principal and interest payable hereunder.

[Signature page follows.]

Exhibit A

THIS NOTE SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN
ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SUNDANCE ENERGY, INC.

By:
Name:
Title:

Exhibit A

EXHIBIT B

FORM OF BORROWING REQUEST

[], 20[]

Sundance Energy, Inc., a Colorado corporation, (the “Borrower”), pursuant to Section 2.03 of the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (together with all amendments, restatements, amendments and restatements, supplements or other modifications thereto, the “Credit Agreement”) among the Parent, the Borrower, Morgan Stanley Energy Capital Inc., as Administrative Agent and the lenders (the “Lenders”) which are or become parties thereto (unless otherwise defined herein, each capitalized term used herein is defined in the Credit Agreement), hereby requests a Borrowing as follows:

(1) Aggregate amount of the requested Borrowing is \$[];

(2) Date of such Borrowing is [], 20[]; and

(3) Location and number of the Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04 of the Credit Agreement, is as follows:

[]

[]

[]

[]

[]

Exhibit B

The undersigned certifies that he/she is the [*insert title of authorized officer*] of the Borrower, and that as such he/she is authorized to execute this request on behalf of the Borrower. The undersigned further certifies, represents and warrants on behalf of the Borrower, in the capacity described above and not in his or her individual capacity, that the Borrower is entitled to receive the requested Borrowing under the terms and conditions of the Credit Agreement.

SUNDANCE ENERGY, INC.

By:
Name:
Title:

Exhibit B

EXHIBIT C

[Reserved.]

Exhibit C

EXHIBIT D
FORM OF
COMPLIANCE CERTIFICATE

[_____] , 20[]

The undersigned hereby certifies that he/she is the [*insert title of Financial Officer*] of Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia (the "**Parent**"), and that as such he/she is authorized to execute this certificate on behalf of the Parent. With reference to the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (together with all amendments, restatements, amendments and restatements, supplements or other modifications thereto being the "**Agreement**") among the Parent, Sundance Energy, Inc., a Colorado Corporation (the "**Borrower**"), Morgan Stanley Energy Capital Inc., as Administrative Agent, and the lenders (the "**Lenders**") which are or become a party thereto, the undersigned certifies on behalf of the Parent, and not in his or her individual capacity, as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

- 1 There exists no Default or Event of Default [or specify Default and describe].
- 2 Attached hereto are the detailed computations necessary to determine whether the Parent and the Borrower is in compliance with Section 9.01 of the Agreement as of the end of the fiscal quarter ending [].
3. There have been no changes in IFRS or in the application thereof since the date of the most recently delivered financial statements referred to in Section 8.01(a) and (b) [other than as described below:].

EXECUTED AND DELIVERED as of the date first written above.

SUNDANCE ENERGY AUSTRALIA LIMITED

By:
Name:
Title:

Exhibit D

EXHIBIT E
FORM OF SOLVENCY CERTIFICATE

Date: [], 20[]

To: The Administrative Agent and each of the Lenders
party to the Credit Agreement referred to below

Re: Amended and Restated Term Loan Credit Agreement, dated as of April 23, 2018 (the “Credit Agreement”), by and among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia (the “Parent”), Sundance Energy, Inc., a Colorado corporation (the “Borrower”), each of the lenders from time to time party thereto (the “Lenders”), and Morgan Stanley Energy Capital Inc., as Administrative Agent.

Ladies and Gentlemen:

[We][I], the undersigned, the *[insert title of Responsible Officers]* of the Parent and the Borrower [respectively], in that capacity only and not in [my] [our] individual capacit[y][ies], pursuant to Section 6.01(g) of the Credit Agreement do hereby certify as of the date hereof, and based upon facts and circumstances as they exist as of the date hereof, as follows:

1. Unless otherwise defined herein, capitalized terms used in this certificate shall have the meanings set forth in the Credit Agreement.
2. After giving effect to the Borrowings and the other Transactions contemplated by the Credit Agreement,
 - a. the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Loan Parties, taken as a whole, exceed the aggregate Debt of the Loan Parties on a consolidated basis, as the Debt becomes absolute and matures;
 - b. each Loan Party has not incurred or does not intend to incur, and does not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures in the ordinary course of business; and
 - c. each Loan Party will does not have (and has no reason to believe that it will have hereafter) unreasonably small capital for the conduct of its business.

Remainder of page intentionally left blank; signature page follows

IN WITNESS WHEREOF, the Parent and the Borrower have caused this certificate to be executed on their behalf by the undersigned [*insert title of Responsible Officers*] as of the date first written above.

**SUNDANCE ENERGY AUSTRALIA
LIMITED**

By:

Name:

Title:

SUNDANCE ENERGY, INC.

By:

Name:

Title:

Exhibit E

EXHIBIT F-1

SECURITY INSTRUMENTS

1. Guarantee and Collateral Agreement, dated as of April 23, 2018, made by each of the Grantors (as defined therein) in favor of Morgan Stanley Energy Capital Inc., as Administrative Agent.
2. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Sundance Energy, Inc. to David Lazarus, as Trustee for the benefit of Morgan Stanley Energy Capital Inc., as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in Atascosa, LaSalle, Live Oak and McMullen Counties, Texas.
3. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from SEA Eagle Ford, LLC to David Lazarus, as Trustee for the benefit of Morgan Stanley Energy Capital Inc., as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in Atascosa, Colorado, Dimmit, Live Oak, Maverick and McMullen Counties, Texas.
4. Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement from Armadillo E&P, Inc. to David Lazarus, as Trustee for the benefit of Morgan Stanley Energy Capital Inc., as Administrative Agent, for its benefit and the benefit of the other Secured Parties to be filed in McMullen County, Texas.
5. Filing of UCC-1 Financing Statement for Sundance Energy, Inc. with respect to the Collateral with the Secretary of State of the State of Colorado or such other filing office as appropriate.
6. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Office of the Recorder of Deeds in the District of Columbia or such other filing office as appropriate.
7. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Secretary of State of the State of Colorado or such other filing office as appropriate.
8. Filing of a financing statement on the PPSR in respect of Sundance Energy Australia Limited ACN 112 202 883 in the collateral class "All present and after acquired property – with exceptions" and with collateral description "Except any PPSA Personal Property of the Grantor which the Secured Party agrees from time to time in writing is not subject to a security agreement in favor of the Secured Party"
9. Filing of UCC-1 Financing Statement for SEA Eagle Ford, LLC with respect to the Collateral with the Secretary of State of Texas or such other filing office as appropriate.
10. Filing of UCC-1 Financing Statement for Armadillo E&P, Inc. with respect to the Collateral with the Secretary of State of Delaware or such other filing office as appropriate.
11. Delivery to the Revolving Agent of Certificate No. 01 for 1,000 shares of the Equity Interests of Sundance Energy, Inc.

12. Delivery to the Revolving Agent of Certificate No. 2 for 10,000 shares of the Equity Interests of Armadillo E&P, Inc.
13. Delivery to the Revolving Agent of Certificate No. 01 for 1,000 shares of the Equity Interests of Sundance Royalties, Inc..
14. Delivery to the Revolving Agent of stock powers with respect to items 11, 12 and 13.

Exhibit F-1

EXHIBIT F-2

FORM OF GUARANTEE AND COLLATERAL AGREEMENT

[Attached]

Exhibit F-2

FORM OF ASSIGNMENT AND ASSUMPTION

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below, and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by [the][any] Assignor.

[and is an [Affiliate][Approved Fund] of [identify Lender]]

Exhibit G

- 3 Borrower: Sundance Energy, Inc.
- 4 Administrative Agent: Morgan Stanley
Energy Capital Inc., as the administrative agent under the Credit
Agreement
- 5 Credit Agreement: The Amended and
Restated Term Loan Credit Agreement dated as of April 23, 2018
among Sundance Energy Australia Limited, Sundance Energy,
Inc., the Lenders parties thereto, and Morgan Stanley Energy
Capital Inc., as Administrative Agent
- 6 Assigned Interest:

Assignor[s]	Assignee[s]	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned ⁸	Percentage Assigned of Commitment/ Loans	CUSIP Number
		\$	\$	%	
		\$	\$	%	
		\$	\$	%	

Exhibit G

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE
AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN
THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By:

Name:

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By:

Name:

Title:

Exhibit G

[Consented to and] Accepted:

Morgan Stanley Energy Capital Inc.,
as Administrative Agent

By
Name:
Title:

[Consented to:]

Sundance Energy, Inc.

By _____
Name:
Title:

Exhibit G

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 12.04 of the Credit Agreement (subject to such consents, if any, as may be required thereunder), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest, and (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase [the][such] Assigned Interest; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2 . Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts that have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts that have accrued from and after the Effective Date. Notwithstanding the foregoing, the Administrative Agent shall make all payments of interest, fees or other amounts paid or payable in kind from and after the Effective Date to [the][the relevant] Assignee.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption

may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

Exhibit G

EXHIBIT H-1

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Morgan Stanley Energy Capital Inc., as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.02 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its Foreign Person status on IRS Form W-8BEN or W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:

Name:

Title:

Date: _____, 20[]

EXHIBIT H-2

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Morgan Stanley Energy Capital Inc., as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.02 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its Foreign Person status on IRS Form W-8BEN or W-8BEN-E, as applicable. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: Name:
 Title:
Date: _____, 20[]

Exhibit H-1

EXHIBIT H-3

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Morgan Stanley Energy Capital Inc., as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.02 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:

Name:

Title:

Date: _____, 20[]

Exhibit H-3

EXHIBIT H-4

FORM OF U.S. TAX COMPLIANCE CERTIFICATE

(For Non-U.S. Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, Sundance Energy, Inc., as Borrower, Morgan Stanley Energy Capital Inc., as Administrative Agent, and each lender from time to time party thereto.

Pursuant to the provisions of Section 5.02 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E, as applicable, or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E, as applicable, from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:

Name:

Title:

Date: _____, 201[]

GUARANTEE AND COLLATERAL AGREEMENT

made by
each of the Grantors (as defined herein)
in favor of

MORGAN STANLEY ENERGY CAPITAL INC.,
as Administrative Agent

Dated as of April 23, 2018

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SCHEDULES:

1. Notice Addresses of Guarantors
2. Description of Pledged Securities
3. Filings and Other Actions Required to Perfect Security Interests
4. Legal Name, Location of Jurisdiction of Organization, Organizational Identification Number, Taxpayer Identification Number and Chief Executive Office
5. Prior Names, Prior Chief Executive Office, Location of Tangible Assets

ANNEX:

1. Form of Assumption Agreement

This GUARANTEE AND COLLATERAL AGREEMENT, dated as of April 23, 2018, is made by **SUNDANCE ENERGY AUSTRALIA LIMITED**, a limited company organized and existing under the laws of South Australia (the “Parent”), **SUNDANCE ENERGY, INC.**, a Colorado corporation (the “Borrower”), and each of the other signatories hereto other than the Administrative Agent (the Parent, the Borrower and each of the other signatories hereto other than the Administrative Agent, together with any other Subsidiary of the Parent that becomes a party hereto from time to time after the date hereof, the “Grantors”), in favor of **MORGAN STANLEY ENERGY CAPITAL INC.**, as administrative agent (in such capacity, together with its successors in such capacity, the “Administrative Agent”), for the banks and other financial institutions (the “Lenders”) from time to time parties to the Amended and Restated Term Loan Credit Agreement of even date herewith (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among the Parent, the Borrower, the Lenders, the Administrative Agent, and any other Agents party thereto.

In consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective loans to and extensions of credit on behalf of the Borrower thereunder, each Grantor hereby agrees with the Administrative Agent, for the ratable benefit of the Lenders, as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions.

(a) As used in this Agreement, each term defined above shall have the meaning indicated above. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, and the following terms as well as all uncapitalized terms which are defined in the New York UCC on the date hereof are used herein as so defined: Accounts, Chattel Paper, Commercial Tort Claims, Commodity Accounts, Deposit Accounts, Documents, Electronic Chattel Paper, Equipment, Fixtures, General Intangibles, Goods, Instruments, Inventory, Investment Property, Letter-of-Credit Rights, Payment Intangibles, Proceeds, Securities Account, Supporting Obligations, and Tangible Chattel Paper.

(b) The following terms shall have the following meanings:

“Account Debtor” shall mean a Person (other than any Grantor) obligated on an Account, Chattel Paper, or General Intangible.

“Agreement” shall mean this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

“Collateral” shall have the meaning assigned such term in Section 3.01.

“Excluded Equity” shall mean any voting stock of any Foreign Subsidiary in excess of 66-2/3% of the total combined voting power of all classes of stock of such Foreign Subsidiary that are entitled to vote.

“Excluded Property” shall have the meaning assigned such term in Section 3.01.

“Guarantors” shall mean, collectively, each Grantor other than the Borrower.

“Issuers” shall mean, collectively, each issuer of a Pledged Security.

“New York UCC” shall mean the Uniform Commercial Code, as it may be amended, from time to time in effect in the State of New York.

“Pledged Securities” shall mean: (i) the equity interests described or referred to in Schedule 2; and (ii) (a) the certificates or instruments, if any, representing such equity interests, (b) subject to Section 7.01, all dividends (cash, stock or otherwise), cash, instruments, rights to subscribe, purchase or sell and all other rights and property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such equity interests, (c) all replacements, additions to and substitutions for any of the property referred to in this definition, including, without limitation, claims against third parties, (d) the Proceeds on any of the property referred to in this definition and (e) all books and records relating to any of the property referred to in this definition. Notwithstanding the foregoing, “Pledged Securities” shall not include any Excluded Equity.

“Post-Default Rate” shall mean the per annum rate of interest provided for in Section 3.02(b) of the Credit Agreement, but in no event to exceed the Highest Lawful Rate.

“Secured Agreement” shall mean any agreement giving rise to a Secured Obligation.

Section 1.02 Other Definitional Provisions; References. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The gender of all words shall include the masculine, feminine, and neuter, as appropriate. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit, schedule or annex shall be deemed to refer to the applicable exhibit, schedule or annex attached hereto unless otherwise stated herein. Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

ARTICLE II GUARANTEE

Section 2.01 Guarantee.

(a) Each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Administrative Agent, for the ratable benefit of the Secured Parties and each of their respective successors, endorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower and the Guarantors when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations. This is a guarantee of payment and not collection and the liability of each Guarantor is primary and not secondary.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors.

(c) Each Guarantor agrees that the Secured Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Article II or affecting the rights and remedies of the Administrative Agent or any Secured Party hereunder.

(d) Each Guarantor agrees that if the maturity of any of the Secured Obligations is accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this guarantee without demand or notice to such Guarantor. The guarantee contained in this Article II shall remain in full force and effect until the Payment in Full.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any other Secured Party from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Secured Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Secured Obligations or any payment received or collected from such Guarantor in respect of the Secured Obligations), remain liable for the Secured Obligations up to the maximum liability of such Guarantor hereunder until the Payment in Full.

Section 2.02 Payments. Each Guarantor hereby agrees and guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars that constitute immediately available funds at the principal office of the Administrative Agent specified pursuant to the Credit Agreement.

ARTICLE III

GRANT OF SECURITY INTEREST

Section 3.01 Grant of Security Interest. Each Grantor hereby pledges, assigns and transfers to the Administrative Agent, and grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest and whether now existing or hereafter coming into existence (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

- (1) all Accounts;
- (2) all cash;
- (3) all Chattel Paper (whether Tangible Chattel Paper or Electronic Chattel Paper);

- (4) all Commercial Tort Claims;
- (5) all Deposit Accounts, all Commodity Accounts and all Securities Accounts (other than payroll, withholding tax and other fiduciary Deposit Accounts and Section 1031 tax-deferred exchange accounts (or other similar restricted accounts));
- (6) all Documents;
- (7) all Fixtures;
- (8) all General Intangibles (including, without limitation, rights in and under any Swap Agreements);
- (9) all Goods (including, without limitation, all Inventory and all Equipment, but excluding all Fixtures);
- (10) all Instruments;
- (11) all Intellectual Property;
- (12) all Inventory;
- (13) all Investment Property;
- (14) all Letter-of-Credit Rights (whether or not the letter of credit is evidenced by a writing);
- (15) all money;
- (16) all Pledged Securities;
- (17) all Supporting Obligations;
- (18) all books and records pertaining to the Collateral;
- (19) to the extent not otherwise included, any other property insofar as it consists of personal property of any kind or character defined in and subject to the New York UCC; and
- (20) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, income, royalties and other payments now or hereafter due and payable with respect to, and guarantees and supporting obligations relating to, any and all of the Collateral and, to the extent not otherwise included, all payments of insurance (whether or not the Administrative Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, all other claims, including all cash, guarantees and other Supporting Obligations given with respect to any of the foregoing;

Notwithstanding the foregoing, in no event shall the Collateral include, and no Grantor shall be deemed to have granted a security interest in, any of such Grantor's rights or interests in

or under (collectively, the “Excluded Property”) (a) any property to the extent that the grant of a security interest thereon shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Grantor under, any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person other than Grantor or any of its Affiliates, provided, however, that the Collateral shall include (and such security interest shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable, (b) any Excluded Equity or (c) any motor vehicles, aircraft, rolling stock or other assets subject to certificate-of-title statutes; provided further that the exclusions referred to in clause (a) above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC or the Uniform Commercial Code of any relevant jurisdiction or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the New York UCC or the Uniform Commercial Code of any relevant jurisdiction) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

Section 3.02 Transfer of Pledged Securities. As of the Effective Date and until the Payment in Full (as defined in the Revolving Credit Agreement) and termination of the commitments under the Revolving Credit Agreement, all certificates and instruments representing or evidencing the Pledged Securities shall be delivered to and held pursuant to the Intercreditor Agreement by the Revolving Agent or a Person designated by the Revolving Agent and, in the case of an instrument or certificate in registered form, shall be duly indorsed to the Revolving Agent or in blank by an effective indorsement (whether on the certificate or instrument or on a separate writing), and accompanied by any required transfer tax stamps to effect the pledge of the Pledged Securities, subject to the Intercreditor Agreement, to the Revolving Agent and the Administrative Agent. Notwithstanding the preceding sentence, all Pledged Securities evidenced by a certificate or instrument must be delivered or transferred in such manner, and each Grantor shall take all such further action as may be reasonably requested by the Administrative Agent, as to permit the Administrative Agent to maintain a second priority perfected security interest in the Pledged Securities, subordinate only to that of the Senior Liens, until the Payment in Full (as defined in the Revolving Credit Agreement) and termination of the commitments under the Revolving Credit Agreement. After the Payment in Full (as defined in the Revolving Credit Agreement) and termination of the commitments under the Revolving Credit Agreement, each Grantor shall take all such further action as may be reasonably requested by the Administrative Agent, as to permit the Administrative Agent to maintain a first priority perfected security interest in the Pledged Securities.

Section 3.03 Grantors Remain Liable under Accounts, Chattel Paper and Payment Intangibles. Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Accounts, Chattel Paper and Payment Intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account, Chattel Paper or Payment Intangible. Neither the Administrative Agent nor any other Secured Party shall have any obligation or liability under any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto) by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any such other Secured Party of any payment relating to such Account, Chattel Paper or Payment Intangible,

pursuant hereto, nor shall the Administrative Agent or any other Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account, Chattel Paper or Payment Intangible (or any agreement giving rise thereto), to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 3.04 Pledged Securities. The granting of the foregoing security interest does not make the Administrative Agent or any Secured Party a successor to Grantor as a partner or member in any Issuer that is a partnership, limited partnership or limited liability company, as applicable, and neither the Administrative Agent, any Secured Party, nor any of their respective successors or assigns hereunder shall be deemed to have become a partner or member in any Issuer, as applicable, by accepting this Agreement or exercising any right granted herein unless and until such time, if any, when any such Person expressly becomes a partner or member in any Issuer, as applicable, and complies with any applicable transfer provisions set forth in the charter or organizational documents relating to an applicable Pledged Security after a foreclosure thereon.

ARTICLE IV ACKNOWLEDGMENTS, WAIVERS AND CONSENTS

Section 4.01 Acknowledgments, Waivers and Consents.

(a) Each Grantor acknowledges and agrees that the obligations undertaken by it under this Agreement involve the guarantee of, and the provision of collateral security for, the Secured Obligations, which obligations consist, in part, of the obligations of Persons other than such Grantor and that such Grantor's guarantee and provision of collateral security for the Secured Obligations are absolute, irrevocable and unconditional under any and all circumstances, except as expressly provided herein or in any other Loan Document. In full recognition and furtherance of the foregoing, each Grantor understands and agrees, to the fullest extent permitted under applicable law and except as may otherwise be expressly provided in the Loan Documents, that each Grantor shall remain obligated hereunder (including, without limitation, with respect to the guarantee made by such Grantor hereby and the collateral security provided by such Grantor herein) and the enforceability and effectiveness of this Agreement and the liability of such Grantor, and the rights, remedies, powers and privileges of the Administrative Agent and the other Secured Parties under this Agreement and the other Loan Documents shall not be affected, limited, reduced, discharged or terminated in any way:

(i) notwithstanding that, without any reservation of rights against any Grantor and without notice to or further assent by any Grantor, (A) any demand for payment of any of the Secured Obligations made by the Administrative Agent or any other Secured Party may be rescinded by the Administrative Agent or such other Secured Party and any of the Secured Obligations continued; (B) the Secured Obligations, the liability of any other Person upon or for any part thereof or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by, or any indulgence or forbearance

in respect thereof granted by, the Administrative Agent or any other Secured Party; (C) the Secured Agreements and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time; (D) any Grantor or any other Person may from time to time accept or enter into new or additional agreements, security documents, guarantees or other instruments in addition to, in exchange for or relative to, any Secured Agreement, all or any part of the Secured Obligations or any Collateral now or in the future serving as security for the Secured Obligations; (E) any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any other Secured Party for the payment of the Secured Obligations may be sold, exchanged, waived, surrendered or released; and (F) any other event shall occur which constitutes a defense or release of sureties generally; and

(i i) without regard to, and each Grantor hereby expressly waives to the fullest extent permitted by law any defense now or in the future arising by reason of, (A) the illegality, invalidity or unenforceability of the Credit Agreement, any other Secured Agreement, any of the Secured Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any other Secured Party, (B) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by any Grantor or any other Person against the Administrative Agent or any other Secured Party, (C) the insolvency, bankruptcy arrangement, reorganization, adjustment, composition, liquidation, disability, dissolution or lack of power of any Grantor or any other Person at any time liable for the payment of all or part of the Secured Obligations or the failure of the Administrative Agent or any other Secured Party to file or enforce a claim in bankruptcy or other proceeding with respect to any Person; or any sale, lease or transfer of any or all of the assets of any Grantor, or any changes in the shareholders of any Grantor; (D) the fact that any Collateral or Lien contemplated or intended to be given, created or granted as security for the repayment of the Secured Obligations shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other Lien, it being recognized and agreed by each of the Grantors that it is not entering into this Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectability or value of any of the Collateral for the Secured Obligations; (E) any failure of the Administrative Agent or any other Secured Party to marshal assets in favor of any Grantor or any other Person, to exhaust any collateral for all or any part of the Secured Obligations, to pursue or exhaust any right, remedy, power or privilege it may have against any Grantor or any other Person or to take any action whatsoever to mitigate or reduce any Grantor's liability under this Agreement or any other Secured Agreement; (F) any law which provides that the obligation of a surety or guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal or which reduces a surety's or guarantor's obligation in proportion to the principal obligation; (G) the possibility that the Secured Obligations may at any time and from time to time exceed the aggregate liability of such Grantor under this Agreement; or (H) any other circumstance or act whatsoever, including any act or omission of the type described in Section 4.01(a)(i) (with or without notice to or knowledge of any Grantor), which constitutes, or might be construed to constitute, an equitable or legal discharge or defense of the Borrower for the Secured Obligations, or of such Grantor under the guarantee contained in Article II or with respect to the collateral security provided by such Grantor herein, or which might be available to a surety or guarantor, in bankruptcy or in any other instance.

(b) Each Grantor hereby waives to the extent permitted by law: (i) except as expressly provided otherwise in any Loan Document, all notices to such Grantor, or to any other Person, including but not limited to, notices of the acceptance of this Agreement, the guarantee contained in Article II or the provision of collateral security provided herein, or the creation, renewal, extension, modification, accrual of any Secured Obligations, or notice of or proof of reliance by the Administrative Agent or any other Secured Party upon the guarantee contained in Article II or upon the collateral security provided herein, or of default in the payment or performance of any of the Secured Obligations owed to the Administrative Agent or any other Secured Party and enforcement of any right or remedy with respect thereto; or notice of any other matters relating thereto; the Secured Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in Article II and the collateral security provided herein and no notice of creation of the Secured Obligations or any extension of credit already or hereafter contracted by or extended to the Borrower need be given to any Grantor; and all dealings between the Borrower and any of the Grantors, on the one hand, and the Administrative Agent and the other Secured Parties, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in Article II and on the collateral security provided in this Agreement; (ii) diligence and demand of payment, presentment, protest, dishonor and notice of dishonor; (iii) any statute of limitations affecting any Grantor's liability hereunder or the enforcement thereof; (iv) all rights of revocation with respect to the Secured Obligations, the guarantee contained in Article II and the provision of collateral security herein; and (v) all principles or provisions of law which conflict with the terms of this Agreement and which can, as a matter of law, be waived.

(c) When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Grantor, the Administrative Agent or any other Secured Party may, but shall be under no obligation to, join or make a similar demand on or otherwise pursue or exhaust such rights and remedies as it may have against the Borrower, any other Grantor or any other Person or against any collateral security or guarantee for the Secured Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any other Secured Party to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Grantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any Grantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Grantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any other Secured Party against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings. Other than as set forth herein or in any applicable Secured Agreement, neither the Administrative Agent nor any other Secured Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Secured Obligations or for the guarantee contained in Article II or any property subject thereto.

Section 4.02 No Subrogation, Contribution or Reimbursement. Notwithstanding any payment made by any Grantor hereunder or any set-off or application of funds of any Grantor by the Administrative Agent or any other Secured Party, no Grantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any other Secured Party against the Borrower

or any other Grantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any other Secured Party for the payment of the Secured Obligations, nor shall any Grantor seek or be entitled to seek any indemnity, exoneration, participation, contribution or reimbursement from the Borrower or any other Grantor in respect of payments made by such Grantor hereunder, and each Grantor hereby expressly waives, releases, and agrees not to exercise any all such rights of subrogation, reimbursement, indemnity and contribution. Each Grantor further agrees that to the extent that such waiver and release set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement, indemnity and contribution such Grantor may have against the Borrower, any other Grantor or against any collateral or security or guarantee or right of offset held by the Administrative Agent or any other Secured Party shall be junior and subordinate to any rights the Administrative Agent and the other Secured Parties may have against the Borrower and such Grantor and to all right, title and interest the Administrative Agent and the other Secured Parties may have in any collateral or security or guarantee or right of offset. The Administrative Agent, for the benefit of the Secured Parties, may use, sell or dispose of any item of Collateral or security as it sees fit without regard to any subrogation rights any Grantor may have, and upon any disposition or sale, any rights of subrogation any Grantor may have shall terminate.

ARTICLE V REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the other Secured Parties to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder and to induce the Lenders and Affiliates of the Lenders to enter into other Secured Agreements, each Grantor hereby represents and warrants to the Administrative Agent and each other Secured Party that:

Section 5.01 Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Article VII of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party are true and correct in all material respects, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 5.01, be deemed to be a reference to such Guarantor's knowledge.

Section 5.02 Benefit to the Guarantor. The Borrower is a member of an affiliated group of companies that includes each Guarantor, and the Borrower and the Guarantors are engaged in related businesses. Each Guarantor (other than Parent) is a Subsidiary of Parent and, after taking into account all rights of contribution of each Grantor against other Grantors, if any, under this Agreement, at law, in equity or otherwise, its guaranty and surety obligations pursuant to this Agreement reasonably may be expected to benefit, directly or indirectly, it; and it has determined that this Agreement is necessary and convenient to the conduct, promotion and attainment of the business of such Guarantor and the Borrower.

Section 5.03 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Secured Parties pursuant to this Agreement, the Senior Liens and other Liens permitted by Section 9.03 of the Credit Agreement, such Grantor is the legal and beneficial owner of its respective items of the Collateral free and clear of any and all

Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Secured Parties, pursuant to this Agreement, the Security Instruments or as are filed to secure Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.04 Perfected Second Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent or the Revolving Agent, as applicable, in completed and, if required, duly executed form) will constitute valid perfected security interests in all of the Collateral in which a security interest may be perfected by the actions specified on Schedule 3, in favor of the Administrative Agent for the ratable benefit of the Secured Parties, as collateral security for such Grantor's obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.05 Legal Name, Organizational Status, Chief Executive Office. On the date hereof, the correct legal name of such Grantor, such Grantor's jurisdiction of organization, organizational number, taxpayer identification number and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

Section 5.06 Prior Names and Addresses. Schedule 5 correctly sets forth (a) all names and trade names that such Grantor has used in the last five years and (b) the chief executive office of such Grantor over the last five years (if different from that which is set forth in Section 5.05 above).

Section 5.07 Pledged Securities. The shares (or such other interests) of Pledged Securities pledged by such Grantor hereunder constitute all the issued and outstanding shares (or such other interests) of all classes of the capital stock or other equity interests of each Issuer owned by such Grantor (other than any Excluded Equity). All the shares (or such other interests) of the Pledged Securities have been duly and validly issued and (other than Pledged Securities consisting of limited liability company interests or partnership interest, which cannot be fully paid and are nonassessable) are fully paid and nonassessable; and such Grantor is the record and beneficial owner of, and has good title to, the Pledged Securities pledged by it hereunder, free of any and all Liens except Liens permitted by Section 9.03 of the Credit Agreement.

Section 5.08 Goods. No portion of the Collateral constituting Goods with a value in excess of \$100,000 in the aggregate is in the possession of a bailee that has issued a negotiable or non-negotiable document covering such Collateral, except for Collateral being transported in the ordinary course of business and Collateral subject to a joint operating agreement that is in the possession of the operator under the agreement.

Section 5.09 Instruments and Chattel Paper. Such Grantor has delivered to the Administrative Agent or, subject to the Intercreditor Agreement, the Revolving Agent, all Collateral constituting Instruments and Chattel Paper in excess of \$100,000 existing on such date.

No Collateral constituting Chattel Paper or Instruments contains any statement therein to the effect that such Collateral has been assigned to an identified party other than the Administrative Agent or, subject to the Intercreditor Agreement, the Revolving Agent, and the grant of a security interest in such Collateral in favor of the Administrative Agent hereunder does not violate the rights of any other Person as a secured party.

Section 5.10 Truth of Information; Accounts. All information with respect to the Collateral set forth in any schedule, certificate or other writing at any time heretofore or hereafter furnished by such Grantor to the Administrative Agent or any other Secured Party, and all other written information heretofore or hereafter furnished by such Grantor to the Administrative Agent or any other Secured Party is and will be true and correct in all material respects as of the date furnished. The place where each Grantor keeps its records concerning the Accounts, Chattel Paper and Payment Intangibles is at its location of chief executive office listed on Schedule 4.

Section 5.11 Governmental Obligors. Except as may be otherwise disclosed to Administrative Agent from time to time, none of the Account Debtors on such Grantor's Accounts, Chattel Paper or Payment Intangibles is a Governmental Authority.

ARTICLE VI COVENANTS

Each Grantor covenants and agrees with the Administrative Agent and the other Secured Parties that, from and after the date of this Agreement until the Payment in Full:

Section 6.01 Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

Section 6.02 Maintenance of Perfected Security Interest; Further Documentation.

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 5.04 (to the extent such perfection is required by this Agreement) and shall take commercially reasonable actions to defend such security interest against the claims and demands of all Persons whomsoever except for Liens permitted by Section 9.03 of the Credit Agreement.

(b) Subject to the limitations set forth herein and in the other Loan Documents, at any time and from time to time, upon the reasonable request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly give, execute, deliver, indorse, file or record any and all financing statements, continuation statements, amendments, notices (including, without limitation, notifications to financial institutions and any other Person), contracts, agreements, assignments, certificates, stock powers or other instruments, obtain any and all governmental approvals and consents and take or cause to be taken any and all steps or acts that may be necessary or advisable or as the Administrative Agent may reasonably request to create, perfect, establish the priority of, or to preserve the validity, perfection or priority of, the Liens granted by this Agreement or to enable the Administrative Agent or any other Secured Party to

enforce its rights, remedies, powers and privileges under this Agreement with respect to such Liens or to otherwise obtain or preserve the full benefits of this Agreement and the rights, powers and privileges herein granted.

(c) Without limiting the obligations of the Grantors under Section 6.02(b), if an Event of Default has occurred and is continuing: (i) upon the request of the Administrative Agent such Grantor shall take or cause to be taken all actions (other than any actions required to be taken by the Administrative Agent or any Lender) reasonably requested by the Administrative Agent to cause the Administrative Agent, or subject to the Intercreditor Agreement, the Revolving Agent, to (A) have “control” (within the meaning of Sections 9-104, 9-105, 9-106, and 9-107 of the New York UCC) over any Collateral constituting Deposit Accounts, Electronic Chattel Paper, Investment Property (including the Pledged Securities), or Letter-of-Credit Rights, including, without limitation, executing and delivering any agreements, in form and substance reasonably satisfactory to the Administrative Agent, with securities intermediaries, issuers or other Persons in order to establish “control”, and each Grantor shall promptly notify the Administrative Agent and the other Secured Parties of such Grantor’s acquisition of any such Collateral and (B) be a “protected purchaser” (as defined in Section 8-303 of the New York UCC); (ii) with respect to Collateral other than certificated securities and goods covered by a document in the possession of a Person other than such Grantor, the Administrative Agent or, subject to the Intercreditor Agreement, the Revolving Agent, such Grantor shall use commercially reasonable efforts to obtain written acknowledgment that such Person holds possession for the Administrative Agent’s benefit; and (iii) with respect to any Collateral constituting Goods that are in the possession of a bailee, such Grantor shall provide prompt notice to the Administrative Agent and the other Secured Parties of any such Collateral then in the possession of such bailee, and such Grantor shall take or use commercially reasonable efforts to cause to be taken all actions (other than any actions required to be taken by the Administrative Agent or any other Secured Party) necessary or requested by the Administrative Agent to cause the Administrative Agent to have a perfected security interest in such Collateral under applicable law.

(d) This Section 6.02 and the obligations imposed on each Grantor by this Section 6.02 shall be interpreted as broadly as possible in favor of the Administrative Agent and the other Secured Parties in order to effectuate the purpose and intent of this Agreement.

Section 6.03 Further Identification of Collateral. Such Grantor will furnish to the Administrative Agent from time to time, at such Grantor’s sole cost and expense, to the extent such information is reasonably available, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

Section 6.04 Changes in Locations, Name, etc. Such Grantor recognizes that financing statements pertaining to the Collateral have been or may be filed where such Grantor maintains any Collateral or is organized. Without limitation of any other covenant herein, such Grantor will not cause or permit any change to be made (a) in its company name or in any trade name used to identify such Grantor in the conduct of its business or in the ownership of its Properties, (b) in the location of its chief executive office or principal place of business, (c) in its identity or corporate structure or in the jurisdiction in which such Grantor is incorporated, formed or otherwise organized, or (d) in its organizational identification number in such jurisdiction of organization,

unless such Grantor shall have first (i) notified the Administrative Agent of such change at least thirty (30) days prior to the effective date of such change (or such lesser time period as the Administrative Agent may agree), and (ii) taken all action reasonably requested by the Administrative Agent for the purpose of maintaining the perfection and priority of the Administrative Agent's security interests under this Agreement.

Section 6.05 Compliance with Contractual Obligations. Such Grantor will perform and comply in all material respects with all its contractual obligations (other than obligations to pay which are not yet delinquent or in default) relating to the Collateral (including, without limitation, with respect to the goods or services, the sale or lease or rendition of which gave rise or will give rise to each Account), except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings and the Grantor has set aside on its books adequate reserves with respect thereto in accordance with GAAP, or (b) the failure to comply could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

Section 6.06 Limitations on Dispositions of Collateral. The Administrative Agent and the other Secured Parties do not authorize, and such Grantor agrees not to sell, transfer, lease or otherwise dispose of any of the Collateral except to the extent permitted by the Credit Agreement.

Section 6.07 Pledged Securities.

(a) If such Grantor shall become entitled to receive or shall receive any stock certificate or other instrument constituting Pledged Securities, such Grantor shall (i) accept the same as the agent of the Administrative Agent and the other Secured Parties, or, subject to the Intercreditor Agreement, the Revolving Agent, (ii) hold the same in trust for the Administrative Agent and the other Secured Parties, or, subject to the Intercreditor Agreement, the Revolving Agent and (iii) promptly deliver the same forthwith to the Administrative Agent, or, subject to the Intercreditor Agreement, the Revolving Agent, in the exact form received, duly indorsed by such Grantor to the Administrative Agent, or, subject to the Intercreditor Agreement, the Revolving Agent, if required, together with an undated stock power or other equivalent instrument of transfer reasonably acceptable to the Administrative Agent covering such certificate or instrument duly executed in blank by such Grantor, to be held by the Administrative Agent, subject to the terms hereof, or, subject to the Intercreditor Agreement, the Revolving Agent, as additional collateral security for the Secured Obligations.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) unless otherwise permitted hereby or the Credit Agreement, vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity interests of any nature or to issue any other securities or interests convertible into or granting the right to purchase or exchange for any stock or other equity interests of any nature of any Issuer, (ii) sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, the Pledged Securities or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien except for Liens permitted by Section 9.03 of the Credit Agreement or option in favor of, or any claim of any Person with respect to, any of the Pledged Securities or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or

ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 6.07(a) with respect to the Pledged Securities issued by it and (iii) the terms of Section 7.01(c) and Section 7.05 shall apply to it, *mutatis mutandis*, with respect to all actions that may be required of it pursuant to Section 7.01(c) or Section 7.05 with respect to the Pledged Securities issued by it.

(d) Such Grantor shall furnish to the Administrative Agent or, subject to the Intercreditor Agreement, the Revolving Agent, such stock powers and other equivalent instruments of transfer as may be required by the Administrative Agent to assure the transferability of and the perfection of the security interest in the Pledged Securities when and as often as may be reasonably requested by the Administrative Agent.

(e) The Pledged Securities will at all times constitute not less than 100% of the capital stock or other equity interests of the Issuer thereof owned by any Grantor or, in the case of the Pledged Securities of a Foreign Subsidiary, 66-2/3% of the capital stock or other equity interests of the Issuer thereof. Each Grantor will not permit any Issuer of any of the Pledged Securities to issue any new shares (or other interests) of any class of capital stock or other equity interests of such Issuer without the prior written consent of the Administrative Agent unless promptly upon issuance the same are pledged and, if applicable, delivered to the Administrative Agent pursuant to the terms hereof or to the Revolving Agent pursuant to the terms of the Intercreditor Agreement to the extent necessary to give Administrative Agent a second priority security interest, subject only to the Senior Liens, after such issue in at least the same percentage of such Issuer's outstanding shares or other interests as Grantor had before such issue.

Section 6.08 Limitations on Modifications, Waivers, Extensions of Agreements Giving Rise to Accounts. Such Grantor will not (a) amend, modify, terminate or waive any provision of any Chattel Paper, Instrument or any agreement giving rise to an Account or Payment Intangible with a value in excess of \$100,000 in any manner which could reasonably be expected to materially adversely affect the value of such Chattel Paper, Instrument, Payment Intangible or Account as Collateral, or (b) fail to exercise promptly and diligently each and every material right which it may have under any Chattel Paper, Instrument and each agreement giving rise to an Account or Payment Intangible with a value in excess of \$100,000 (other than any right of termination); provided, that, a Grantor may make such adjustments, settlements or compromises and release wholly or partly any account debtor or obligor thereof and allow any credit or discounts thereon so long as (i) no Event of Default has occurred and is continuing, (ii) such action is taken in the ordinary course of business and consistent with past practices, and (iii) such action is, in such Grantor's good-faith business judgment, commercially reasonable.

Section 6.09 Instruments and Tangible Chattel Paper. If any amount payable in excess of \$100,000 under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Tangible Chattel Paper, such Instrument or Tangible Chattel Paper shall be

delivered to the Administrative Agent promptly upon request, duly endorsed in a manner reasonably satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement.

Section 6.10 Commercial Tort Claims. If such Grantor shall at any time hold or acquire a Commercial Tort Claim that satisfies the requirements of the following sentence, such Grantor shall, within thirty (30) days after such Commercial Tort Claim satisfies such requirements, notify the Administrative Agent and the other Secured Parties in a writing signed by such Grantor containing a brief description thereof, and granting to the Administrative Agent in such writing (for the benefit of the Secured Parties) a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Administrative Agent. The provisions of the preceding sentence shall apply only to a Commercial Tort Claim that satisfies the following requirements: (a) the monetary value claimed by or payable to the relevant Grantor in connection with such Commercial Tort Claim shall exceed \$100,000, and (b) either (i) such Grantor shall have filed a law suit or counterclaim or otherwise commenced legal proceedings (including, without limitation, arbitration proceedings) against the Person against whom such Commercial Tort Claim is made, or (ii) such Grantor and the Person against whom such Commercial Tort Claim is asserted shall have entered into a settlement agreement with respect to such Commercial Tort Claim. In addition, to the extent that the existence of any Commercial Tort Claim held or acquired by any Grantor is disclosed by such Grantor in any public filing with the Securities Exchange Commission or any successor thereto or analogous Governmental Authority, or to the extent that the existence of any such Commercial Tort Claim is disclosed in any press release issued by any Grantor, then, upon the request of the Administrative Agent, the relevant Grantor shall, within thirty (30) days after such request is made, transmit to the Administrative Agent and the other Secured Parties a writing signed by such Grantor containing a brief description of such Commercial Tort Claim and granting to the Administrative Agent in such writing (for the benefit of the Secured Parties) a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE VII REMEDIAL PROVISIONS

Section 7.01 Pledged Securities.

(a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 7.01(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Securities paid in the normal course of business of the relevant Issuer, to the extent permitted in the Credit Agreement, and to exercise all voting, corporate and other rights with respect to the Pledged Securities.

(b) If an Event of Default shall occur and be continuing, then at any time in the Administrative Agent's discretion following notice to the relevant Grantor, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Secured Obligations in accordance with Section 10.02 of the Credit Agreement, and (ii) any or all of the Pledged Securities

shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders (or other equivalent body) of the relevant Issuer or Issuers or otherwise and (B) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the organizational structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder (and each Issuer party hereto hereby agrees) to (i) comply with any instruction received by it from the Administrative Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, at any time that an Event of Default exists, pay any dividends or other payments with respect to the Pledged Securities directly to the Administrative Agent.

(d) After the occurrence and during the continuation of an Event of Default, if the Issuer of any Pledged Securities is the subject of bankruptcy, insolvency, receivership, custodianship or other proceedings under the supervision of any Governmental Authority, then all rights of the Grantor in respect thereof to exercise the voting and other consensual rights which such Grantor would otherwise be entitled to exercise with respect to the Pledged Securities issued by such Issuer shall cease, and all such rights shall thereupon become vested in the Administrative Agent who shall thereupon have the sole right to exercise such voting and other consensual rights, but the Administrative Agent shall have no duty to exercise any such voting or other consensual rights and shall not be responsible for any failure to do so or delay in so doing.

Section 7.02 Collections on Accounts, Etc. The Administrative Agent hereby authorizes each Grantor to collect upon the Accounts, Instruments, Chattel Paper and Payment Intangibles and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify the Account Debtors that the applicable Accounts, Chattel Paper and Payment Intangibles have been assigned to the Administrative Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Administrative Agent. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may in its own name or in the name of others communicate with the Account Debtors to verify with them to its satisfaction the existence, amount and terms of any Accounts, Chattel Paper or Payment Intangibles.

Section 7.03 Proceeds. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Accounts, Instruments, Chattel Paper and Payment Intangibles, when collected or received by each Grantor, and any other cash or non-cash Proceeds received by each Grantor upon the sale or other disposition of any Collateral, shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a special collateral account maintained by the Administrative Agent, subject to withdrawal by the Administrative Agent for the ratable benefit of the Secured Parties only, as hereinafter provided, and, until so turned over, shall be held by such Grantor in trust for the Administrative Agent for the ratable benefit of the Secured Parties, segregated from other funds of any such Grantor. All Proceeds (including, without limitation, Proceeds constituting collections of Accounts, Chattel Paper, Instruments) while held by the Administrative Agent (or by any Grantor in trust for the Administrative Agent for the ratable benefit of the Secured Parties) shall continue to be collateral security for all of the Secured Obligations and shall not constitute payment thereof until applied as hereinafter provided. If an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent shall apply all or any part of the funds on deposit in said special collateral account on account of the Secured Obligations in such order as specified in Section 10.02(c) of the Credit Agreement, and any part of such funds which the Administrative Agent elects not so to apply and deems not required as collateral security for the Secured Obligations shall be paid over from time to time by the Administrative Agent to each Grantor or to whomsoever may be lawfully entitled to receive the same.

Section 7.04 New York UCC and Other Remedies.

(a) If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Secured Parties, may exercise in its discretion, in addition to all other rights, remedies, powers and privileges granted to them in this Agreement, any other Secured Agreement, all rights, remedies, powers and privileges of a secured party under the New York UCC (whether the New York UCC is in effect in the jurisdiction where such rights, remedies, powers or privileges are asserted) or any other applicable law or otherwise available at law or equity. Without limiting the generality of the foregoing, the Administrative Agent (or its agent), without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any other Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any other Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. If an Event of Default shall occur and be continuing, each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the

Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. Any such sale or transfer by the Administrative Agent either to itself or to any other Person shall be absolutely free from any claim of right by Grantor, including any equity or right of redemption, stay or appraisal which Grantor has or may have under any rule of law, regulation or statute now existing or hereafter adopted. Upon any such sale or transfer, the Administrative Agent shall have the right to deliver, assign and transfer to the purchaser or transferee thereof the Collateral so sold or transferred. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 7.04, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the other Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in accordance with Section 10.02 of the Credit Agreement, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-615 of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Administrative Agent or any other Secured Party arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

(b) In the event that the Administrative Agent elects not to sell the Collateral, the Administrative Agent retains its rights to dispose of or utilize the Collateral or any part or parts thereof in any manner authorized or permitted by law or in equity, and to apply the proceeds of the same towards payment of the Secured Obligations. Each and every method of disposition of the Collateral described in this Agreement shall constitute disposition in a commercially reasonable manner. The Administrative Agent may appoint any Person as agent to perform any act or acts necessary or incident to any sale or transfer of the Collateral.

Section 7.05 Private Sales of Pledged Securities. Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Securities, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Securities for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so. Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may reasonably be necessary to make such sale or sales of all or any portion of the Pledged Securities pursuant to this Section 7.05 valid and binding and in compliance with any and all other applicable Governmental Requirements. Each Grantor further agrees that a breach of any of the covenants contained in this Section 7.05 will cause

irreparable injury to the Administrative Agent and the other Secured Parties, that the Administrative Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 7.05 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants.

Section 7.06 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Secured Obligations and, to the extent set forth herein and in the other Loan Documents, the fees and disbursements of any attorneys employed by the Administrative Agent or any other Secured Party to collect such deficiency.

Section 7.07 Non-Judicial Enforcement. The Administrative Agent may enforce its rights hereunder without prior judicial process or judicial hearing, and to the extent permitted by law, each Grantor expressly waives any and all legal rights which might otherwise require the Administrative Agent to enforce its rights by judicial process.

ARTICLE VIII THE ADMINISTRATIVE AGENT

Section 8.01 Administrative Agent's Appointment as Attorney-in-Fact, Etc.

(a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all reasonably appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following (subject to the terms hereof):

(i) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(ii) execute, in connection with any sale provided for in Section 7.04 or Section 7.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(iii) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (B) take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account, Instrument, General Intangible, Chattel Paper or Payment Intangible or with respect to any other Collateral, and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Account, Instrument

or General Intangible or with respect to any other Collateral whenever payable; (C) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (D) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (E) receive, change the address for delivery, open and dispose of mail addressed to any Grantor, and to execute, assign and indorse negotiable and other instruments for the payment of money, documents of title or other evidences of payment, shipment or storage for any form of Collateral on behalf of and in the name of any Grantor; (F) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (G) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (H) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; and (I) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the other Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 8.01(a) to the contrary notwithstanding, the Administrative Agent agrees that it will not, and will not permit any of its officers or agents to, exercise any rights under the power of attorney provided for in this Section 8.01(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein within the applicable grace periods, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 8.01, together with interest thereon at the Post-Default Rate from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable jointly and severally by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue and in compliance hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 8.02 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account and shall be deemed

to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which comparable secured parties accord comparable collateral. Neither the Administrative Agent, any other Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the other Secured Parties hereunder are solely to protect the Administrative Agent's and the other Secured Parties' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any other Secured Party to exercise any such powers. The Administrative Agent and the other Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents (collectively, the "Indemnitees") shall be responsible to any Grantor for any act or failure to act hereunder, **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 EXCULPATION SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES RESULT FROM THE GROSS NEGLIGENCE, BAD FAITH OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE.** To the fullest extent permitted by applicable law, the Administrative Agent shall be under no duty whatsoever to make or give any presentment, notice of dishonor, protest, demand for performance, notice of non-performance, notice of intent to accelerate, notice of acceleration, or other notice or demand in connection with any Collateral or the Secured Obligations, or to take any steps necessary to preserve any rights against any Grantor or other Person or ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not it has or is deemed to have knowledge of such matters. Each Grantor, to the extent permitted by applicable law, waives any right of marshaling in respect of any and all Collateral, and waives any right to require the Administrative Agent or any other Secured Party to proceed against any Grantor or other Person, exhaust any Collateral or enforce any other remedy which the Administrative Agent or any other Secured Party now has or may hereafter have against each Grantor, any Grantor or other Person.

Section 8.03 Filing of Financing Statements. Pursuant to the New York UCC and any other applicable law, each Grantor authorizes the Administrative Agent, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. Additionally, each Grantor authorizes the Administrative Agent, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as "all

assets of the Grantor”, “all personal property of the Grantor” or words of similar effect. In no event shall the above authorizations be deemed to be obligations.

Section 8.04 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE IX SUBORDINATION OF INDEBTEDNESS

Section 9.01 Subordination of All Guarantor Claims. As used herein, the term “Guarantor Claims” shall mean all debts and obligations of the Borrower or any other Grantor to any Grantor, whether such debts and obligations now exist or are hereafter incurred or arise, or whether the obligation of the debtor thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or obligations be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or obligations may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by. After and during the continuation of an Event of Default, no Grantor shall receive or collect, directly or indirectly, from any obligor in respect thereof any amount upon the Guarantor Claims until Payment in Full.

Section 9.02 Claims in Bankruptcy. In the event of receivership, bankruptcy, reorganization, arrangement, debtor’s relief or other insolvency proceedings involving any Grantor, the Administrative Agent on behalf of the Secured Parties shall have the right to prove their claim in any proceeding, so as to establish their rights hereunder and receive directly from the receiver, trustee or other court custodian, dividends and payments which would otherwise be payable upon Guarantor Claims. Each Grantor hereby assigns such dividends and payments to the Administrative Agent for the benefit of the Secured Parties for application against the Secured Obligations as provided under Section 10.02 of the Credit Agreement. Should any Agent or Secured Party receive, for application upon the Secured Obligations, any such dividend or payment which is otherwise payable to any Grantor, and which, as between such Grantor, shall constitute a credit upon the Guarantor Claims, then upon Payment in Full, the intended recipient shall become subrogated to the rights of the Administrative Agent and the other Secured Parties to the extent that such payments to the Administrative Agent and the other Secured Parties on the Guarantor Claims have contributed toward the liquidation of the Secured Obligations, and such subrogation shall be with respect to that proportion of the Secured Obligations which would have been unpaid if the Administrative Agent and the other Secured Parties had not received dividends or payments upon the Guarantor Claims.

Section 9.03 Payments Held in Trust. In the event that notwithstanding Section 9.01 and Section 9.02, any Grantor should receive any funds, payments, claims or distributions which is prohibited by such Sections, then it agrees: (a) to hold in trust for the Administrative Agent and the other Secured Parties an amount equal to the amount of all funds, payments, claims or distributions so received, and (b) that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to the Administrative Agent, for the benefit of the Secured Parties; and each Grantor covenants promptly to pay the same to the Administrative Agent.

Section 9.04 Liens Subordinate. Each Grantor agrees that, until Payment in Full, any Liens securing payment of the Guarantor Claims shall be and remain inferior and subordinate to any Liens securing payment of the Secured Obligations, regardless of whether such encumbrances in favor of such Grantor, the Administrative Agent or any other Secured Party presently exist or are hereafter created or attach. Prior to the Payment in Full, without the prior written consent of the Administrative Agent, no Grantor shall (a) exercise or enforce any creditor's right it may have against any debtor in respect of the Guarantor Claims, or (b) foreclose, repossess, sequester or otherwise take steps or institute any action or proceeding (judicial or otherwise, including without limitation the commencement of or joinder in any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any Lien held by it.

Section 9.05 Notation of Records. Upon the request of the Administrative Agent, all promissory notes and all accounts receivable ledgers or other evidence of the Guarantor Claims accepted by or held by any Grantor shall contain a specific written notice thereon that the indebtedness evidenced thereby is subordinated under the terms of this Agreement.

ARTICLE X MISCELLANEOUS

Section 10.01 Waiver. No failure on the part of the Administrative Agent or any other Secured Party to exercise and no delay in exercising, and no course of dealing with respect to, any right, remedy, 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, remedy, power or privilege. The rights, remedies, powers and privileges provided herein are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. The exercise by the Administrative Agent of any one or more of the rights, powers and remedies herein shall not be construed as a waiver of any other rights, powers and remedies, including, without limitation, any rights of set-off.

Section 10.02 Notices. All notices and other communications provided for herein shall be given in the manner and subject to the terms of Section 12.01 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

Section 10.03 Payment of Expenses, Indemnities, Etc.

(a) Each Grantor, jointly and severally, agrees to pay or promptly reimburse the Administrative Agent and each other Secured Party for its reasonable and documented out-of-pocket costs and expenses in accordance with Section 12.03(a) of the Credit Agreement.

(b) **EACH GRANTOR, JOINTLY AND SEVERALLY, AGREES TO INDEMNIFY AND TO HOLD THE ADMINISTRATIVE AGENT AND THE OTHER SECURED PARTIES HARMLESS FROM, ANY AND ALL ACTUAL LOSSES, CLAIMS, DAMAGES, PENALTIES, LIABILITIES AND RELATED EXPENSES OF ANY KIND OR NATURE WITH RESPECT TO THE EXECUTION, DELIVERY ENFORCEMENT, PERFORMANCE AND ADMINISTRATION OF THIS AGREEMENT TO THE EXTENT THE BORROWER WOULD BE REQUIRED TO DO SO PURSUANT TO SECTION 12.03 OF THE CREDIT AGREEMENT. ALL AMOUNTS DUE UNDER THIS SECTION 10.03 SHALL BE PAYABLE NOT LATER THAN 10 DAYS AFTER WRITTEN DEMAND THEREFOR.**

Section 10.04 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 12.02 of the Credit Agreement.

Section 10.05 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Administrative Agent and the other Secured Parties and their successors and assigns; provided that except as set forth in Section 9.10 of the Credit Agreement, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and the Lenders.

Section 10.06 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any of the Loan Documents to which a Grantor is a party shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or such other Loan Document and the remaining provisions hereof shall remain in full force and effect and shall be liberally construed to carry out the provisions and intent hereof; provided, if any one or more of the provisions contained in this Agreement shall be determined or held to be invalid or unenforceable because such provision is overly broad as to duration, geographic scope, activity or subject, such provision shall be deemed amended by limiting and reducing it to the extent necessary to make such provision valid and enforceable.

Section 10.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic means (such as a PDF) shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 10.08 Survival. The obligations of the parties under Section 10.03 shall survive notwithstanding the Secured Obligations having been are paid as provided in Section 12.18(a) of the Credit Agreement. To the extent that any payments on the Secured 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 Secured 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 other Secured Parties' Liens, security interests, rights, powers and remedies under this Agreement and each Security Instrument shall continue in full force and effect. In such event, each Security Instrument shall be automatically reinstated and each Grantor shall take such action as may be reasonably requested by the Administrative Agent and the other Secured Parties to effect such reinstatement.

Section 10.09 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 10.10 No Oral Agreements. The Loan Documents (other than the Letters of Credit) embody the entire agreement and understanding between the parties and supersede all other agreements and understandings between such parties relating to the subject matter hereof and thereof. **THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.** In the event of a conflict between the terms and conditions of this Agreement and the terms and conditions of the Credit Agreement, the terms and conditions of the Credit Agreement shall control.

Section 10.11 Governing Law; Submission to Jurisdiction.

(a) This Agreement shall be governed by, construed and interpreted in accordance with, the laws of the state of New York.

(B) **SECTION 12.09 OF THE CREDIT AGREEMENT IS HEREBY INCORPORATED HEREIN BY REFERENCE AND SHALL APPLY TO THIS AGREEMENT *MUTATIS MUTANDIS*.**

Section 10.12 Acknowledgments. Each Grantor hereby acknowledges that:

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

(b) neither the Administrative Agent nor any other Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Administrative Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Lenders.

(d) each of the parties hereto specifically agrees that it has a duty to read this Agreement and the Security Instruments and agrees that it is charged with notice and knowledge of the terms of this Agreement and the Security Instruments; 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 Security Instruments; and has received the advice of its attorney in entering into this Agreement and the Security Instruments; and that it recognizes that certain of the terms of this Agreement and the Security Instruments 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 Security Instruments on the basis that the party had no notice or knowledge of such provision or that the provision is not “conspicuous.”

(e) each Grantor warrants and agrees that each of the waivers and consents set forth in this Agreement are made voluntarily and unconditionally after consultation with outside legal counsel and with full knowledge of their significance and consequences, with the understanding that events giving rise to any defense or right waived may diminish, destroy or otherwise adversely affect rights which such Grantor otherwise may have against the Borrower, any other Grantor, the Secured Parties or any other Person or against any collateral. If, notwithstanding the intent of the parties that the terms of this Agreement shall control in any and all circumstances, any such waivers or consents are determined to be unenforceable under applicable law, such waivers and consents shall be effective to the maximum extent permitted by law.

Section 10.13 Additional Grantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 8.14 of the Credit Agreement and is not a signatory hereto shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex I hereto.

Section 10.14 Set-Off. Each Grantor agrees that, in addition to (and without limitation of) any right of set-off, bankers' lien or counterclaim a Secured Party may otherwise have, each Secured Party shall have the right and be entitled (after consultation with the Administrative Agent), at its option, to offset (i) balances held by it or by any of its Affiliates for account of any Grantor or any Subsidiary at any of its offices, in Dollars or in any other currency, and (ii) amounts due and payable to such Lender (or any Affiliate of such Lender) under any Secured Agreement, against any principal of or interest on any of such Secured Party's Loans, or any other amount due and payable to such Secured Party hereunder, which is not paid when due (regardless of whether such balances are then due to such Person), in which case it shall promptly notify the Borrower and the Administrative Agent thereof, provided that such Secured Party's failure to give such notice shall not affect the validity thereof.

Section 10.15 Releases.

(a) Payment In Full. Upon the Payment in Full, the Administrative Agent, at the written request and expense of the Borrower, will promptly release, reassign and transfer the Collateral to the Grantors and declare this Agreement to be of no further force or effect.

(b) Further Assurances. Section 12.18(b) of the Credit Agreement is hereby incorporated herein by reference and shall apply to this Agreement *mutatis mutandis*.

(c) Retention in Satisfaction. Except as may be expressly applicable pursuant to Section 9-620 of the New York UCC, no action taken or omission to act by the Administrative Agent or the other Secured Parties hereunder, including, without limitation, any exercise of voting or consensual rights or any other action taken or inaction, shall be deemed to constitute a retention of the Collateral in satisfaction of the Secured Obligations or otherwise to be in full satisfaction of the Secured Obligations, and the Secured Obligations shall remain in full force and effect, until the Administrative Agent and the other Secured Parties shall have applied payments (including, without limitation, collections from Collateral) towards the Secured Obligations in the full amount then outstanding or until such subsequent time as is provided in Section 10.15(a).

Section 10.16 Reinstatement. The obligations of each Grantor under this Agreement (including, without limitation, with respect to the guarantee contained in Article II and the provision of collateral herein) shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Secured Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any other Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Grantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Grantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

Section 10.17 Acceptance. Each Grantor hereby expressly waives notice of acceptance of this Agreement, acceptance on the part of the Administrative Agent and the other Secured Parties being conclusively presumed by their request for this Agreement and delivery of the same to the Administrative Agent.

Section 10.18 Intercreditor Agreement. Notwithstanding anything herein to the contrary, (a) the liens and security interests granted to the Administrative Agent pursuant to this Agreement are expressly subject and subordinate to the liens and security interests granted in favor of the Senior Secured Parties (as defined in the Intercreditor Agreement referred to below), including liens and security interests granted to Natixis, New York Branch, as administrative agent, pursuant to or in connection with the Credit Agreement, dated as of April 23, 2018 (as amended, restated, supplemented or otherwise modified from time to time), among the Parent, the Borrower, the banks, financial institutions and other lending institutions from time to time parties as lenders thereto and Natixis, New York Branch, as administrative agent, and (b) the exercise of any right or remedy by Morgan Stanley Energy Capital Inc., as Administrative Agent, hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of April 23, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Natixis, New York Branch, as Senior Representative, Morgan Stanley Energy Capital Inc., as Second Priority Representative, the Borrower and its subsidiaries and affiliated entities party thereto. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee and Collateral Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

SUNDANCE ENERGY, INC.

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

GUARANTORS:

SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

SEA EAGLE FORD, LLC
ARMADILLO E&P, INC.

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

SIGNATURE PAGE

Acknowledged and Agreed to as
of the date hereof by:

ADMINISTRATIVE AGENT:

MORGAN STANLEY ENERGY CAPITAL INC.

By: _____

Name: Parker Corbin

Title: Vice President

SIGNATURE PAGE

Schedule 1

NOTICE ADDRESSES OF GRANTORS

Grantor Name	Notice Address
Sundance Energy, Inc.	633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
Sundance Energy Australia Limited	Ground Floor 28 Greenhill Road Wayville, South Australia 5034 C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
SEA Eagle Ford, LLC	C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady
Armadillo E&P, Inc.	C/O Sundance Energy, Inc. 633 17 th Street, Suite 1950 Denver, Colorado 80202 Attn: Eric P. McCrady

Schedule 2

DESCRIPTION OF PLEDGED SECURITIES

Owner	Issuer	Type of Equity Interest	% of Ownership Interest	Certificated / Certificate Number or Uncertificated
Sundance Energy Australia Limited	Sundance Energy, Inc.	Common Stock	100%	Certificate No. 01 (1,000 shares)
Sundance Energy, Inc.	Sundance Energy Oklahoma LLC	LLC Interests	100%	Uncertificated
Sundance Energy, Inc.	Sundance Royalties, Inc.	Common Stock	100%	Certificate No. 01 (1,000 shares)
Sundance Energy, Inc.	SEA Eagle Ford, LLC	LLC Interests	100%	Uncertificated
Sundance Energy, Inc.	Armadillo E&P, Inc.	Common Stock	100%	Certificate No. 2 (10,000 shares)
Sundance Energy, Inc.	New Standard Energy Texas, LLC	Membership Interests	100%	Uncertificated
Sundance Energy Australia Limited	Armadillo (Eagle Ford) Pty Ltd	Shares	100%	Uncertificated
Sundance Energy Australia Limited	New Standard Energy PEL570 Pty Ltd	Shares	100%	Uncertificated

Schedule 3

FILINGS AND OTHER ACTIONS

REQUIRED TO PERFECT SECURITY INTERESTS

Uniform Commercial Code Filings

1. Filing of UCC-1 Financing Statement for the Borrower with respect to the Collateral with the Secretary of State of the State of Colorado.
2. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Office of the Recorder of Deeds in the District of Columbia.
3. Filing of UCC-1 Financing Statement for Sundance Energy Australia Limited with respect to the Collateral with the Secretary of State of the State of Colorado.
4. Filing of a financing statement on the PPSR in respect of Sundance Energy Australia Limited ACN 112 202 883 in the collateral class “All present and after acquired property – with exceptions” and with collateral description “Except any PPSA Personal Property of the Grantor which the Secured Party agrees from time to time in writing is not subject to a security agreement in favor of the Secured Party”.
5. Filing of UCC-1 Financing Statement for SEA Eagle Ford, LLC with respect to the Collateral with the Secretary of State of Texas.
6. Filing of UCC-1 Financing Statement for Armadillo E&P, Inc. with respect to the Collateral with the Secretary of State of Delaware.

Delivery to the Revolving Agent of Pledged Securities

1. Delivery to the Revolving Agent of certificated pledged securities described on Schedule 2, together with corresponding stock powers endorsed in blank.

Schedule 4

**CORRECT LEGAL NAME, LOCATION OF JURISDICTION OF ORGANIZATION,
ORGANIZATIONAL IDENTIFICATION NUMBER, TAXPAYOR IDENTIFICATION NUMBER AND
CHIEF EXECUTIVE OFFICE**

Legal Name of Entity	Organization Jurisdiction	Organizational Number	FEIN	Location of Chief Executive Office
Sundance Energy Inc.	Colorado	20031394742	80-0133112	633 17 th Street Suite 1950 Denver, Colorado 80202
Sundance Energy Australia Limited	South Australia, Australia	ACN 112 202 883	98-1231237	Ground Floor 28 Greenhill Road Wayville, South Australia 5034 C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202
SEA Eagle Ford, LLC	Texas	801741859	46-2188743	C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202
Armadillo E&P, Inc.	Delaware	4261017	20-8412735	C/O Sundance Energy, Inc. 633 17 th Street Suite 1950 Denver, Colorado 80202

Schedule 5

PRIOR NAMES AND PRIOR CHIEF EXECUTIVE OFFICE

Entity	Previous Name / Trade Name in Past 5 Years	Previous Name / Trade Name's Chief Executive Office
Sundance Energy Inc.	N/A	N/A
Sundance Energy Australia Limited	N/A	N/A
SEA Eagle Ford, LLC	N/A	N/A
Armadillo E&P, Inc.	N/A	N/A

ACKNOWLEDGMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of April 23, 2018 (the "Agreement"), made by the Grantors parties thereto for the benefit of MORGAN STANLEY ENERGY CAPITAL INC., as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The terms of Sections 7.01(c) and 7.05 of the Agreement shall apply to it, *mutatis mutandis*, with respect to all actions that may be required of it pursuant to Sections 7.01(c) or 7.05 of the Agreement.

[NAME OF ISSUER]

By: _____

Name: _____

Title: _____

Address for Notices:

Fax: _____

*This consent is necessary only with respect to any Issuer which is not also a Grantor. This consent may be modified or eliminated with respect to any Issuer that is not controlled by a Grantor.

ACKNOWLEDGEMENT AND CONSENT

Annex I

Assumption Agreement

ASSUMPTION AGREEMENT, dated as of _____, 20__, made by _____, a _____ (the "Additional Grantor"), in favor of MORGAN STANLEY ENERGY CAPITAL INC., as administrative agent (in such capacity, the "Administrative Agent") for the banks and other financial institutions (the "Lenders") parties to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

WITNESSETH:

WHEREAS, Sundance Energy Australia Limited, a limited company organized and existing under the laws of South Australia ("Parent"), Sundance Energy, Inc., a Colorado corporation (the "Borrower"), the Lenders, the Administrative Agent and the other parties thereto from time to time, have entered into an Amended and Restated Term Loan Credit Agreement, dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, Parent, the Borrower and certain of their Subsidiaries have entered into the Guarantee and Collateral Agreement, dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Lenders and Affiliates of the Lenders;

WHEREAS, the Credit Agreement requires the Additional Grantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Grantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1 . Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Grantor, as provided in Section 10.13 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Grantor thereunder with the same force and effect as if originally named therein as a Grantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Grantor thereunder and expressly grants to the Administrative Agent, for the benefit of the Secured Parties (as defined in the Guarantee and Collateral Agreement), a security interest in all Collateral owned by such Additional Grantor to secure all of such Additional Grantor's obligations and liabilities thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in Schedules 1 through 5 to the Guarantee and Collateral Agreement. The Additional Grantor hereby represents and warrants that each of the representations and warranties contained in Article IV of the Guarantee and Collateral Agreement is 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 the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

2 . Governing Law. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By: _____
Name:
Title:

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Simpson Thacher & Bartlett LLP
600 Travis St., Suite 5400
Houston , TX 77002
Attention: Cameron Bettis

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

SUNDANCE ENERGY, INC.

TO

DAVID LAZARUS, AS TRUSTEE

FOR THE BENEFIT OF

**MORGAN STANLEY ENERGY CAPITAL INC.,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by **SUNDANCE ENERGY, INC.**, a Colorado corporation (the "Mortgagor"), in favor of (i) David Lazarus, as Trustee for the benefit of **MORGAN STANLEY ENERGY CAPITAL INC.**, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia, as Parent, Mortgagor, as Borrower, the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Borrower.

B. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement (the Credit Agreement, the Notes and the Guarantee collectively being the "Secured Transaction Documents").

C. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

D. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital B above.

“Trustee” means David Lazarus of Morgan Stanley, whose address for notice hereunder is 1585 Broadway, 16th Floor, New York, NY 10036 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations; :

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of Mortgagor’s interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and

all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever.

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;
- (b) all books and records pertaining to the Oil and Gas Properties;
- (c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;
- (d) all Hydrocarbons from or attributable to the Oil and Gas Properties;

(e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and

(f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Mortgagor or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before April 23, 2023.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) To the extent not otherwise included in Sections 2.03(a) and (b) above, all Secured Obligations (as defined in the Credit Agreement).

(d) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured

Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

(i) all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

(ii) the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as "take or pay" payments or settlements; and

(iii) all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any

party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagee as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the

Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V
RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an “Event of Default” under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer

making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay)

owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which

tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee

shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this

Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage,

deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, re-conveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for

offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests

of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as "all assets of the Mortgagor", "all personal property of the Mortgagor" or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	SUNDANCE ENERGY, INC.
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Colorado
Organizational ID Number	20031394742
Facsimile:	(303) 543-5701
Telephone:	Attention: Eric P. McCrady (303) 543-5700
Principal Place of Business of Debtor:	633 17th Street, Suite 1950 Denver, Colorado 80202
Name of Secured Party:	MORGAN STANLEY ENERGY CAPITAL INC., as Administrative Agent
Address of Secured Party:	1585 Broadway, 16th Floor New York, New York 10036 Attention: David Lazarus
E-mail:	David.Lazarus@morganstanley.com
Telephone:	(212) 296-8134
Owner of Record of Real Property:	Mortgagor

Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE

OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 7.14. References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Timing of Payment and Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

Section 7.17. Intercreditor Agreement. Notwithstanding anything herein to the contrary, (a) the liens and security interests granted to the Trustee and/or the Mortgagee pursuant to this Mortgage are expressly subject and subordinate to the liens and security interests granted in favor of the Senior Secured Parties (as defined in the Intercreditor Agreement referred to below), including liens and security interests granted to Natixis, New York Branch, as administrative agent, pursuant to or in connection with the Credit Agreement, dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), among the Parent, the Borrower, the banks, financial institutions and other lending institutions from time to time parties as lenders thereto and Natixis, New York Branch, as administrative agent, and (b) the exercise of any right or remedy by Morgan Stanley Energy Capital Inc., as Second Priority Representative (as defined in the Intercreditor Agreement referred to below), hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Natixis, New York Branch, as Senior Representative, Morgan Stanley Energy Capital Inc., as Second Priority Representative, the Parent, the Borrower and its subsidiaries and affiliated entities party thereto. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this __ day of _____, 2018, to be effective as of the Effective Date.

SUNDANCE ENERGY, INC.

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

STATE OF COLORADO §
COUNTY OF DENVER §

This instrument was acknowledged before me on April _____, 2018 by Cathy L. Anderson, Chief Financial Officer of Sundance Energy, Inc., a Colorado corporation, on behalf of said corporation.

Notary Public

SEAL:

Signature Page to Mortgage

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. “Working Interest” or “Gross Working Interest” and “W.I.” or “G.W.I.” means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. “Net Revenue Interest” or “N.R.I.” means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words “Net Revenue Interest” in the portion applicable to such Well.
3. “Well” means (i) any existing well identified in Exhibit A, including replacement wells drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS “SECTION” OR “SEC,” SIMPLY “S” OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

WHEN RECORDED OR FILED,
PLEASE RETURN TO:

Simpson Thacher & Bartlett LLP
600 Travis St., Suite 5400
Houston , TX 77002
Attention: Cameron Bettis

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

SEA EAGLE FORD, LLC

TO

DAVID LAZARUS, AS TRUSTEE

FOR THE BENEFIT OF

**MORGAN STANLEY ENERGY CAPITAL INC.,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by **SEA EAGLE FORD, LLC**, a Texas limited liability company (the "Mortgagor"), in favor of (i) David Lazarus, as Trustee for the benefit of **MORGAN STANLEY ENERGY CAPITAL INC.**, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia, as Parent, Sundance Energy, Inc., a Colorado corporation, as Borrower, the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Borrower.

B. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement (the Credit Agreement, the Notes and the Guarantee collectively being the "Secured Transaction Documents").

C. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

D. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either

this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital B above.

“Trustee” means David Lazarus of Morgan Stanley, whose address for notice hereunder is 1585 Broadway, 16th Floor, New York, NY 10036 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations; :

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of

Mortgagor's interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever.

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;
- (b) all books and records pertaining to the Oil and Gas Properties;
- (c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;
- (d) all Hydrocarbons from or attributable to the Oil and Gas Properties;

(e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and

(f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Borrower or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before April 23, 2023.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) To the extent not otherwise included in Sections 2.03(a) and (b) above, all Secured Obligations (as defined in the Credit Agreement).

(d) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured

Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

(i) all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

(ii) the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as "take or pay" payments or settlements; and

(iii) all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any

party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagor as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the

Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V
RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an “Event of Default” under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer

making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay)

owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which

tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee

shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this

Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage,

deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, reconveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for

offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests

of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as "all assets of the Mortgagor", "all personal property of the Mortgagor" or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	SEA EAGLE FORD, LLC
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Texas
Organizational ID Number	801741859
Facsimile:	(303) 543-5701
Telephone:	Attention: Eric P. McCrady (303) 543-5700
Principal Place of Business of Debtor:	633 17th Street, Suite 1950 Denver, Colorado 80202
Name of Secured Party:	MORGAN STANLEY ENERGY CAPITAL INC., as Administrative Agent
Address of Secured Party:	1585 Broadway, 16 th Floor New York, NY 10036
E-mail:	Attention: David Lazarus David.Lazarus@morganstanley.com
Telephone:	(212) 296-8134
Owner of Record of Real Property:	Mortgagor

Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE

OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 7.14. References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Timing of Payment and Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

Section 7.17. Intercreditor Agreement. Notwithstanding anything herein to the contrary, (a) the liens and security interests granted to the Trustee and/or the Mortgagee pursuant to this Mortgage are expressly subject and subordinate to the liens and security interests granted in favor of the Senior Secured Parties (as defined in the Intercreditor Agreement referred to below), including liens and security interests granted to Natixis, New York Branch, as administrative agent, pursuant to or in connection with the Credit Agreement, dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), among the Parent, the Borrower, the banks, financial institutions and other lending institutions from time to time parties as lenders thereto and Natixis, New York Branch, as administrative agent, and (b) the exercise of any right or remedy by Morgan Stanley Energy Capital Inc., as Second Priority Representative (as defined in the Intercreditor Agreement referred to below), hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Natixis, New York Branch, as Senior Representative, Morgan Stanley Energy Capital Inc., as Second Priority Representative, the Parent, the Borrower and its subsidiaries and affiliated entities party thereto. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this __ day of _____, 2018, to be effective as of the Effective Date.

SEA EAGLE FORD, LLC

By: _____

Name: Cathy L. Anderson

Title: Chief Financial Officer

STATE OF COLORADO

§

COUNTY OF DENVER

§

§

This instrument was acknowledged before me on April _____, 2018 by Cathy L. Anderson, Chief Financial Officer of SEA Eagle Ford, LLC, a Texas limited liability company, on behalf of said limited liability company.

Notary Public

SEAL:

Signature Page to Mortgage

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. “Working Interest” or “Gross Working Interest” and “W.I.” or “G.W.I.” means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. “Net Revenue Interest” or “N.R.I.” means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words “Net Revenue Interest” in the portion applicable to such Well.
3. “Well” means (i) any existing well identified in Exhibit A, including replacement wells drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS “SECTION” OR “SEC,” SIMPLY “S” OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

WHEN RECORDED OR FILED,
PLEASE RETURN TO:
Simpson Thacher & Bartlett LLP
600 Travis St., Suite 5400
Houston , TX 77002
Attention: Cameron Bettis

Space above for County Recorder's Use

**MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED
COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING
STATEMENT**

FROM

ARMADILLO E&P, INC.

TO

DAVID LAZARUS, AS TRUSTEE

**FOR THE BENEFIT OF
MORGAN STANLEY ENERGY CAPITAL INC.,
as Administrative Agent**

for the Secured Parties

A CARBON, PHOTOGRAPHIC, OR OTHER REPRODUCTION OF THIS MORTGAGE IS SUFFICIENT AS A FINANCING STATEMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT. IN CERTAIN STATES, A POWER OF SALE MAY ALLOW THE TRUSTEE OR THE MORTGAGEE TO TAKE THE MORTGAGED PROPERTY AND SELL IT WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR UNDER THIS INSTRUMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT COVERS PROCEEDS OF MORTGAGED PROPERTY.

THIS INSTRUMENT COVERS MINERALS, AS-EXTRACTED COLLATERAL AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS) AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OF THE WELL OR WELLS LOCATED ON THE PROPERTIES DESCRIBED IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED OR FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF THE RECORDERS OR COUNTY CLERKS OF THE COUNTIES LISTED ON THE EXHIBIT HERETO. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE AND PERSONAL PROPERTY CONCERNED, WHICH INTEREST IS DESCRIBED IN EXHIBIT A ATTACHED HERETO.

PORTIONS OF THE MORTGAGED PROPERTY ARE GOODS WHICH ARE OR ARE TO BECOME AFFIXED TO OR FIXTURES ON THE LAND DESCRIBED IN OR REFERRED TO IN EXHIBIT A ATTACHED HERETO. THIS FINANCING STATEMENT IS TO BE FILED FOR RECORD OR RECORDED, AMONG OTHER PLACES, IN THE REAL ESTATE RECORDS OR SIMILAR RECORDS OF EACH COUNTY IN WHICH SAID LAND OR ANY PORTION THEREOF IS LOCATED. THE MORTGAGOR IS THE OWNER OF RECORD INTEREST IN THE REAL ESTATE CONCERNED. THIS INSTRUMENT IS ALSO TO BE INDEXED IN THE INDEX OF FINANCING STATEMENTS.

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Exhibit A Oil and Gas Properties

THIS MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT (this "Mortgage") is entered into as of April 23, 2018 (the "Effective Date") by **ARMADILLO E&P, INC.**, a Delaware corporation (the "Mortgagor"), in favor of (i) David Lazarus, as Trustee for the benefit of **MORGAN STANLEY ENERGY CAPITAL INC.**, as Administrative Agent (in such capacity, together with its successors and assigns, the "Mortgagee"), and the other Secured Parties with respect to all Mortgaged Properties located in or adjacent to the Deed of Trust State and with respect to all UCC Collateral.

RECITALS

A. Pursuant to the provisions of that certain Amended and Restated Term Loan Credit Agreement dated as of April 23, 2018 (such agreement, as it may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Credit Agreement"), among Sundance Energy Australia Limited (ACN 112 202 883), a company registered in South Australia, Australia, as Parent, Sundance Energy, Inc., a Colorado corporation, as Borrower, the Mortgagee, and the lenders party thereto (as each may be a party to the Credit Agreement from time to time, the "Lenders"), the Lenders have agreed to make loans and other extensions of credit to the Borrower.

B. On April 23, 2018, the Mortgagor, each of the signatories thereto and the Mortgagee executed a Guarantee and Collateral Agreement (such agreement, as may from time to time be amended, restated, amended and restated, supplemented or otherwise modified, the "Guarantee") pursuant to which, upon the terms and conditions stated therein, the Mortgagor and each of the other signatories thereto other than the Mortgagee have agreed to grant a security interest to the Mortgagee in certain assets specified therein and have agreed to guarantee the obligations of the Loan Parties under the Credit Agreement (the Credit Agreement, the Notes and the Guarantee collectively being the "Secured Transaction Documents").

C. The Mortgagee and the other Secured Parties have conditioned their obligations under the Secured Transaction Documents upon the execution and delivery by the Mortgagor of this Mortgage, and the Mortgagor has agreed to enter into this Mortgage to secure all obligations owing to the Mortgagee and the other Secured Parties under the Secured Transaction Documents.

D. Therefore, in order to comply with the terms and conditions of the Secured Transaction Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Mortgagor hereby agrees as follows:

ARTICLE I DEFINITIONS

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

Section 1.02. UCC and Other Defined Terms. Unless otherwise defined in the Applicable UCC, each capitalized term used in this Mortgage and not defined in this Mortgage shall have the meaning ascribed to such term in the Credit Agreement. Any capitalized term not defined in either

this Mortgage or the Credit Agreement shall have the meaning ascribed to such term in the Applicable UCC.

Section 1.03. Definitions.

“Applicable UCC” means the provisions of the Uniform Commercial Code presently in effect in the jurisdiction in which the relevant UCC Collateral is situated or which otherwise is applicable to the creation or perfection of the Liens described herein or the rights and remedies of Mortgagee under this Mortgage. As used in this Mortgage, the “Uniform Commercial Code” means the Uniform Commercial Code as from time to time in effect in the Deed of Trust State.

“Accounts” has the meaning ascribed to such term in the Applicable UCC.

“As-Extracted Collateral” has the meaning ascribed to such term in the Applicable UCC.

“Collateral” means collectively all the Mortgaged Property and all the UCC Collateral.

“Deed of Trust State” has the meaning ascribed such term in Section 2.01.

“Event of Default” has the meaning ascribed to such term in Section 5.01.

“Excluded Property” has the meaning ascribed to such term in Section 2.06.

“Fixtures” has the meaning ascribed to such term in the Applicable UCC.

“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 any supra-national bodies such as the European Union or the European Central Bank).

“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.

“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 including but not limited to those of the foregoing which are described on Exhibit A hereto.

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

“Indemnified Parties” means the Trustee, the Mortgagee, each other Secured Party and their officers, directors, employees, representatives, agents, attorneys, accountants and experts.

“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 (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties.

“Mortgaged Property” means the Oil and Gas Properties and other properties and assets described in Section 2.01(a) through Section 2.01(e).

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization agreements, pooling agreements and declarations of pooled units and the units created thereby (including 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, transportation, 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 hereafter 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, structures, 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.

“Permitted Encumbrances” means all Liens permitted to be placed or exist on the Mortgaged Properties or the UCC Collateral, as applicable, under Section 9.03 of the Credit Agreement.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including cash, securities, accounts and contract rights.

“Secured Obligations” has the meaning ascribed such term in Section 2.03.

“Secured Transaction Documents” has the meaning ascribed such term in Recital B above.

“Trustee” means David Lazarus of Morgan Stanley, whose address for notice hereunder is 1585 Broadway, 16th Floor, New York, NY 10036 and any successors and substitutes in trust hereunder.

“UCC Collateral” means the property and other assets described in Section 2.02.

ARTICLE II GRANT OF LIEN AND SECURED OBLIGATIONS

Section 2.01. Grant of Liens. To secure payment of the Secured Obligations and performance of the covenants and obligations contained herein and in the Secured Transaction Documents, the Mortgagor does by these presents hereby GRANT, BARGAIN, SELL, ASSIGN, MORTGAGE, TRANSFER and CONVEY to the Trustee, in trust, with power of sale, for the use and benefit of the Mortgagee and the other Secured Parties, all the following properties, rights and interests which are located in (or cover or relate to such Oil and Gas Properties located in) the State of Texas (the “Deed of Trust State”), TO HAVE AND TO HOLD unto the Trustee forever to secure the Secured Obligations; :

(a) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described on Exhibit A.

(b) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all geological, geophysical, engineering, accounting, title, legal and other technical or business data concerning the Oil and Gas Properties, the Hydrocarbons or any other item of property which are in the possession of the Mortgagor, and all books, files, records, magnetic media, computer records and other forms of recording or obtaining access to such data.

(c) All rights, titles, interests and estates now owned or hereafter acquired by the Mortgagor in and to all Hydrocarbons.

(d) Any property that may from time to time hereafter, by delivery or by writing of any kind, be subjected to the Liens hereof by the Mortgagor or by anyone on the Mortgagor’s behalf; and the Trustee and/or the Mortgagee are hereby authorized to receive the same at any time as additional security hereunder.

(e) All of the rights, titles and interests of every nature whatsoever now owned or hereafter acquired by the Mortgagor in and to the Oil and Gas Properties described in Exhibit A and all other rights, titles, interests and estates of the Mortgagor and every part and parcel thereof, including, without limitation, any rights, titles, interests and estates of the Mortgagor as the same may be enlarged by the discharge of any payments out of production or by the removal of any charges or Permitted Encumbrances to which any of such Oil and Gas Properties or other rights, titles, interests or estates of the Mortgagor are subject or otherwise; all rights of the Mortgagor to Liens securing payment of proceeds from the sale of production from any of such Oil and Gas Properties, together with any and all renewals and extensions of any of such related rights, titles, interests or estates; all of

Mortgagor's interest in contracts and agreements supplemental to or amendatory of or in substitution for the contracts and agreements described or mentioned above; and any and all additional interests of any kind hereafter acquired by the Mortgagor in and to such related rights, titles, interests or estates.

For the avoidance of doubt, it is the intent of the Mortgagor that all Properties, rights, titles, interests and estates of the nature set forth and described in paragraphs (a) through (e) in this Section 2.01 which are located in, under or which cover, concern or relate to any Property, right, title, interest and estate in the Deed of Trust State shall be subject to the Lien in this Mortgage and thus be "Mortgaged Property" as such term is used in this Mortgage even if (i) the Properties, rights, titles, interests and estates on Exhibit A shall be incorrectly described or (ii) a description of all or a portion of such Properties, rights, titles, interests and estates are omitted or limited in any manner whatsoever.

Notwithstanding any provision in this Mortgage to the contrary, in no event (x) is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Mortgage, or (y) is any Excluded Property included in the definition of Mortgaged Property or UCC Collateral and no Excluded Property is encumbered by this Mortgage. As used herein, "Flood Insurance Regulations" shall mean (i) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (ii) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statute thereto, (iii) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et. seq.), as the same may be amended or recodified from time to time, (iv) the Flood Insurance Reform Act of 2004, and (v) the Biggert-Waters Flood Reform Act of 2012, together with any regulations promulgated thereunder.

Any fractions or percentages specified on Exhibit A in referring to the Mortgagor's interests are solely for purposes of the warranties made by the Mortgagor pursuant to Section 4.01 and Section 4.05 and shall in no manner limit the quantum of interest affected by this Section 2.01 with respect to any Oil and Gas Property or with respect to the Mortgagor's right, title and interest in any unit or well identified on Exhibit A.

Section 2.02. Grant of Security Interest. To further secure the payment and performance of the Secured Obligations, the Mortgagor hereby grants to the Mortgagee, for its benefit and the benefit of the other Secured Parties, a security interest in and to all of the following property of the Mortgagor (whether now or hereafter acquired by operation of law or otherwise):

- (a) all As-Extracted Collateral from or attributable to the Oil and Gas Properties;
- (b) all books and records pertaining to the Oil and Gas Properties;
- (c) all Fixtures comprising the Oil and Gas Properties or otherwise located on or affixed to the lands pertaining to the Oil and Gas Properties;
- (d) all Hydrocarbons from or attributable to the Oil and Gas Properties;

(e) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security, guarantees and other Supporting Obligations (as defined in the Applicable UCC) given with respect to any of the foregoing; and

(f) to the extent not otherwise included in the Collateral, the Mortgaged Property insofar as the Mortgaged Property consists of personal property of any kind or character.

Section 2.03. Secured Obligations. This Mortgage is executed and delivered by the Mortgagor to secure and enforce the following (the “Secured Obligations”):

(a) Payment of and performance of any and all indebtedness, fees, interest, indemnities, reimbursements, obligations and liabilities of the Borrower or any Guarantor (including interest accruing during the pendency of an insolvency or liquidation proceeding, regardless of whether allowed or allowable in such insolvency or liquidation proceeding) pursuant to the Credit Agreement, the Guarantee, this Mortgage or any other Loan Document, whether now existing or hereafter arising and being in the original principal amount of Two Hundred Fifty Million United States Dollars (US \$250,000,000) with final maturity on or before April 23, 2023.

(b) Any sums which may be advanced or paid by the Trustee or the Mortgagee or any other Secured Party under the terms hereof or of the Credit Agreement or any Secured Transaction Document on account of the failure of the Parent, the Borrower or any of their Subsidiaries to comply with the covenants contained herein, in the Credit Agreement or any other Secured Transaction Document whether pursuant to Section 4.08 or otherwise and all other obligations, liabilities and indebtedness of the Parent, the Borrower, the Mortgagor or any other Guarantor arising pursuant to the provisions of this Mortgage or any Secured Transaction Document.

(c) To the extent not otherwise included in Sections 2.03(a) and (b) above, all Secured Obligations (as defined in the Credit Agreement).

(d) Any and all renewals, modifications, substitutions, rearrangements or extensions of any of the foregoing, whether in whole or in part.

Section 2.04. Fixture Filing, Etc. Without in any manner limiting the generality of any of the other provisions of this Mortgage: (i) some portions of the goods described or to which reference is made herein are or are to become Fixtures on the land described or to which reference is made herein or on Exhibit A; (ii) the security interests created hereby under applicable provisions of the Applicable UCC will attach to all As-Extracted Collateral (all minerals including oil and gas and the Accounts resulting from the sale thereof at the wellhead or minehead located on the Oil and Gas Properties described or to which reference is made herein or on Exhibit A) and all other Hydrocarbons; (iii) this Mortgage is to be filed of record in the real estate records or other appropriate records as a financing statement; and (iv) the Mortgagor is the record owner of the real estate or interests in the real estate or immoveable property comprised of the Mortgaged Property.

Section 2.05. Pro Rata Benefit. This Mortgage is executed and granted for the pro rata benefit and security of the Mortgagee and the other Secured Parties to secure the Secured

Obligations until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement.

Section 2.06. Excluded Properties. Notwithstanding anything herein to the contrary, in no event shall the Collateral include, and the Mortgagor shall not be deemed to have granted a Lien in, any of the Mortgagor's right, title or interest in or under any property to the extent that such grant shall constitute or result in a breach of, a default under, an invalidation of, a termination of, or the unenforceability of any right of such Mortgagor under any agreement related to such property or requires the consent of, or creates a right of termination in favor of, any Person (other than such Mortgagor) (collectively, "Excluded Properties"), provided, however, that the Collateral shall include (and such Lien shall attach) immediately at such time as the contractual or legal provisions referred to above shall no longer be applicable; provided, further, that the exclusions referred above shall not apply to the extent that such laws, rules, regulations, agreements, terms or provisions referred to therein would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the Applicable UCC or any other applicable law (including any debtor relief law or principle of equity) and shall not include any proceeds (as defined in the Applicable UCC) of such permit, lease, license, contract or other agreement or property, unless any assets constituting such proceeds are themselves subject to the exclusions set forth above.

ARTICLE III ASSIGNMENT OF AS-EXTRACTED COLLATERAL

Section 3.01. Assignment.

(a) The Mortgagor has absolutely and unconditionally assigned, transferred, conveyed and granted a security interest, and does hereby absolutely and unconditionally assign, transfer, convey and grant a security interest unto the Mortgagee in and to:

(i) all of its As-Extracted Collateral located in or relating to the Mortgaged Properties located in the county where this Mortgage is filed, including without limitation, all As-Extracted Collateral relating to the Hydrocarbon Interests, the Hydrocarbons and all products obtained or processed therefrom;

(ii) the revenues and proceeds now and hereafter attributable to such Mortgaged Properties, including the Hydrocarbons, and said products and all payments in lieu, such as "take or pay" payments or settlements; and

(iii) all amounts and proceeds hereafter payable to or to become payable to the Mortgagor or now or hereafter relating to any part of such Mortgaged Properties and all amounts, sums, monies, revenues and income which become payable to the Mortgagor from, or with respect to, any of the Mortgaged Properties, present or future, now or hereafter constituting a part of the Hydrocarbon Interests.

(b) The Hydrocarbons and products are to be delivered into pipe lines connected with the Mortgaged Property, or to the purchaser thereof, to the credit of the Mortgagee, for its benefit and the benefit of the other Secured Parties, free and clear of all taxes, charges, costs and expenses; and all such revenues and proceeds shall be paid directly to the Mortgagee, at its offices in New York, New York, with no duty or obligation of any

party paying the same to inquire into the rights of the Mortgagee to receive the same, what application is made thereof, or as to any other matter.

(c) The Mortgagor agrees to perform all such acts, and to execute all such further assignments, transfers and division orders and other instruments as may be reasonably required or desired by the Mortgagee or any party in order to have said proceeds and revenues so paid to the Mortgagee as provided in this Section 3.01. In addition to any and all rights of a secured party under Sections 9.607 and 9.609 of the Applicable UCC, the Mortgagee is fully authorized to (i) receive and receipt for said revenues and proceeds; (ii) to endorse and cash any and all checks and drafts payable to the order of the Mortgagor or the Mortgagee for the account of the Mortgagor received from or in connection with said revenues or proceeds and to hold the proceeds thereof in a Deposit Account with the Mortgagee, a Lender or other acceptable commercial bank as additional collateral securing the Secured Obligations; and (iii) to execute transfer and division orders in the name of the Mortgagor, or otherwise, with warranties binding the Mortgagor. All proceeds received by the Mortgagee pursuant to this grant and assignment shall be applied as provided in Section 5.14.

(d) The Mortgagee shall not be liable for any delay, neglect or failure to effect collection of any proceeds or to take any other action in connection therewith or hereunder; but the Mortgagee shall have the right, at its election, in the name of the Mortgagor or otherwise, to prosecute and defend any and all actions or legal proceedings deemed advisable by the Mortgagee in order to collect such funds and to protect the interests of the Mortgagee and/or the Mortgagor, with all costs, expenses and attorneys' fees incurred in connection therewith being paid by the Mortgagor as provided in Section 12.03(a) of the Credit Agreement.

(e) The Mortgagor hereby appoints the Mortgagee as its attorney-in-fact with the power and authority to pursue any and all rights of the Mortgagor to Liens in the Hydrocarbons securing payment of proceeds of runs attributable to the Hydrocarbons. In addition to the Liens granted to the Trustee and/or the Mortgagee in Section 2.01, the Mortgagor hereby further transfers and assigns to the Mortgagee any and all such Liens, security interests, financing statements or similar interests of the Mortgagor attributable to its interest in the As-Extracted Collateral, any other Hydrocarbons and proceeds of runs therefrom arising under or created by said statutory provision, judicial decision or otherwise. The power of attorney granted to the Mortgagee in this Section 3.01, being coupled with an interest, shall be irrevocable until the Secured Obligations have been paid as provided in Section 12.18(a) of the Credit Agreement. The Mortgagee hereby agrees that it shall only use the power of attorney granted to it in this Section 3.01 upon the occurrence and during the continuance of an Event of Default.

Section 3.02. No Modification of Payment Obligations. Nothing herein contained shall modify or otherwise alter the obligation of the Loan Parties to make prompt payment of all amounts constituting Secured Obligations when and as the same become due regardless of whether the proceeds of the As-Extracted Collateral and Hydrocarbons are sufficient to pay the same and the rights provided in accordance with the foregoing assignment provision shall be cumulative of all other security of any and every character now or hereafter existing to secure payment of the

Secured Obligations. Nothing in this Article III is intended to be an acceptance of collateral in satisfaction of the Secured Obligations.

Section 3.03. Rights and Title of Consignee. In addition to the rights, titles and interests hereby conveyed pursuant to Section 2.01 of this Mortgage, the Mortgagor hereby grants to the Mortgagee those Liens given to interest owners, as secured parties, to secure the obligations of the first purchaser of Hydrocarbons to pay the purchase price therefore under applicable law, including those rights provided in Tex. Bus. & Com. Code Ann. §9.343 (Vernon Supp. 1989), as amended from time to time.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS

The Mortgagor hereby represents, warrants and covenants as follows:

Section 4.01. Title. To the extent of the undivided interests specified on Exhibit A, the Mortgagor has good and defensible title to and is possessed of the Hydrocarbon Interests and has good title to the UCC Collateral, other than Hydrocarbon Interests and UCC Collateral disposed of in compliance with Section 9.11 of the Credit Agreement from time to time, in each case, free of all Liens except Permitted Encumbrances.

Section 4.02. Defend Title. This Mortgage is, and always will be kept, a direct first priority Lien upon the Collateral; provided that Permitted Encumbrances may exist, but no intent to subordinate the priority of the Liens created hereby is intended or inferred by such existence. The Mortgagor will not create or suffer to be created or permit to exist any Lien, security interest or charge prior or junior to or on a parity with the Lien of this Mortgage upon the Collateral or any part thereof other than such Permitted Encumbrances. Except with respect to Permitted Encumbrances, the Mortgagor will warrant and defend its title to the Collateral against the claims and demands of all other Persons whomsoever and will maintain and preserve the Lien created hereby (and its priority) until the Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement. If (i) an adverse claim is made in writing against, or a cloud develops upon the title to, any part of the Collateral other than a Permitted Encumbrance or (ii) any Person, including the holder of a Permitted Encumbrance, shall challenge the priority or validity of the Liens created by this Mortgage, then the Mortgagor agrees to immediately defend against such adverse claim, take appropriate action to remove such cloud or subordinate such Permitted Encumbrance, in each case, at the Mortgagor's sole cost and expense. The Mortgagor further agrees that the Trustee and/or the Mortgagee may take such other action as they deem reasonable to protect and preserve their interests in the Collateral, and in such event the Mortgagor will indemnify the Trustee and the Mortgagee against any and all cost, attorneys' fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud as provided in Sections 12.03(a) and (b) of the Credit Agreement.

Section 4.03. Not a Foreign Person. The Mortgagor is not a "foreign person" within the meaning of the Code, Sections 1445 and 7701 (i.e. the Mortgagor is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and any regulations promulgated thereunder).

Section 4.04. Power to Create Lien and Security. The Mortgagor has full power and lawful authority to grant, bargain, sell, assign, transfer, mortgage and convey a security interest in all of the Collateral in the manner and form herein provided. No authorization, approval, consent or waiver of any lessor, sublessor, Governmental Authority or other party or parties whomsoever is required in connection with the execution and delivery by the Mortgagor of this Mortgage.

Section 4.05. Revenue and Cost Bearing Interest. The Mortgagor's ownership of the Hydrocarbon Interests and the undivided interests therein as specified on Exhibit A will, after giving full effect to all Permitted Encumbrances, afford the Mortgagor not less than those net interests (expressed as a fraction, percentage or decimal) in the production from or which is allocated to such Hydrocarbon Interest specified as Net Revenue Interest on attached Exhibit A and will cause the Mortgagor to bear not more than that portion (expressed as a fraction, percentage or decimal), specified as Working Interest on Exhibit A, of the costs of drilling, developing and operating the wells identified on Exhibit A except to the extent of any proportionate corresponding increase in the Net Revenue Interest.

Section 4.06. Rentals Paid; Leases in Effect. All rentals and royalties due and payable in accordance with the terms of any material leases or subleases comprising a part of the Mortgaged Property have been duly paid or provided for, and all material leases or subleases comprising a part of the Oil and Gas Property are in full force and effect.

Section 4.07. Operation By Third Parties. If any portion of the Mortgaged Property is comprised of interests which are not working interests or which are not operated by the Mortgagor or one of its Affiliates, then with respect to such interests and properties, the Mortgagor's covenants as expressed in this Article IV are modified to require that the Mortgagor use reasonable commercial efforts to obtain compliance with such covenants by the working interest owners or the operator or operators of such Mortgaged Properties.

Section 4.08. Failure to Perform. The Mortgagor agrees that if it fails to perform any act or to take any action which it is required to perform or take hereunder or pay any money which the Mortgagor is required to pay hereunder, each of the Mortgagee and the Trustee, in the Mortgagor's name or its or their own name, may, but shall not be obligated to, perform or cause to perform such act or take such action or pay such money, and any expenses so incurred by either of them and any money so paid by either of them shall be a demand obligation owing by the Mortgagor to the Mortgagee or the Trustee, as the case may be, and each of the Mortgagee and the Trustee, upon making such payment, shall be subrogated to all of the rights of the Person receiving such payment. Each amount due and owing by the Mortgagor to each of the Mortgagee and the Trustee pursuant to this Mortgage shall bear interest from the date of such expenditure or payment to such Person as provided in the Credit Agreement.

Section 4.09. Abandon, Sales. The Mortgagor will not sell, lease, assign, transfer or otherwise dispose or abandon any of the Collateral except as permitted by the Credit Agreement.

ARTICLE V
RIGHTS AND REMEDIES

Section 5.01. Event of Default. An Event of Default under the Credit Agreement shall be an “Event of Default” under this Mortgage.

Section 5.02. Foreclosure and Sale.

(a) If an Event of Default shall occur and be continuing, to the extent provided by applicable law, the Mortgagee shall have the right and option to proceed with foreclosure by directing the Trustee to proceed with foreclosure and to sell all or any portion of such Mortgaged Property at one or more sales, as an entirety or in parcels, at such place or places in otherwise such manner and upon such notice as may be required by law, or, in the absence of any such requirement, as the Mortgagee may deem appropriate, and to make conveyance to the purchaser or purchasers. Where the Mortgaged Property is situated in more than one jurisdiction, notice as above provided shall be posted and filed in all such jurisdictions (if such notices are required by law), and all such Mortgaged Property may be sold in any such jurisdiction and any such notice shall designate the jurisdiction where such Mortgaged Property is to be sold. Nothing contained in this Section 5.02 shall be construed so as to limit in any way any rights to sell the Mortgaged Property or any portion thereof by private sale if and to the extent that such private sale is permitted under the laws of the applicable jurisdiction or by public or private sale after entry of a judgment by any court of competent jurisdiction so ordering. The Mortgagor hereby irrevocably appoints the Trustee and the Mortgagee, with full power of substitution, to be the attorneys-in-fact of the Mortgagor and in the name and on behalf of the Mortgagor to execute and deliver any deeds, transfers, conveyances, assignments, assurances and notices which the Mortgagor ought to execute and deliver and do and perform any and all such acts and things which the Mortgagor ought to do and perform under the covenants herein contained and generally, to use the name of the Mortgagor in the exercise of all or any of the powers hereby conferred on the Trustee and/or the Mortgagee. At any such sale: (i) whether made under the power herein contained or any other legal enactment, or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it shall not be necessary for the Trustee or the Mortgagee, as appropriate, to have physically present, or to have constructive possession of, the Mortgaged Property (the Mortgagor hereby covenanting and agreeing to deliver any portion of the Mortgaged Property not actually or constructively possessed by the Trustee or the Mortgagee immediately upon his or its demand) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if the same had been actually present and delivered to purchaser at such sale, (ii) each instrument of conveyance executed by the Trustee or the Mortgagee shall contain a general warranty of title, binding upon the Mortgagor and its successors and assigns, (iii) each and every recital contained in any instrument of conveyance made by the Trustee or the Mortgagee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, nonpayment of the Secured Obligations, advertisement and conduct of such sale in the manner provided herein and otherwise by law and appointment of any successor trustee hereunder, (iv) any and all prerequisites to the validity thereof shall be conclusively presumed to have been performed, (v) the receipt of the Trustee, the Mortgagee or of such other party or officer

making the sale shall be a sufficient discharge to the purchaser or purchasers for its purchase money and no such purchaser or purchasers, or its assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money, or be in any way answerable for any loss, misapplication or nonapplication thereof, (vi) to the fullest extent permitted by law, the Mortgagor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Mortgagor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Mortgagor, and (vii) to the extent and under such circumstances as are permitted by law, the Mortgagee may be a purchaser at any such sale, and shall have the right, after paying or accounting for all costs of said sale or sales, to credit the amount of the bid upon the amount of the Secured Obligations (in the order of priority set forth in Section 5.14) in lieu of cash payment.

(b) If an Event of Default shall occur and be continuing, then (i) the Mortgagee shall be entitled to all of the rights, powers and remedies afforded a secured party by the Applicable UCC with reference to the UCC Collateral or (ii) the Trustee or the Mortgagee may proceed as to any Collateral in accordance with the rights and remedies granted under this Mortgage or applicable law in respect of the Collateral. Such rights, powers and remedies shall be cumulative and in addition to those granted to the Trustee or the Mortgagee under any other provision of this Mortgage or under any other Loan Document or any Secured Transaction Document. Written notice mailed to the Mortgagor as provided herein at least ten (10) days prior to the date of public sale of any part of the Collateral which is personal property subject to the provisions of the Applicable UCC, or prior to the date after which private sale of any such part of the Collateral will be made, shall constitute reasonable notice.

Section 5.03. Substitute Trustees and Agents. The Trustee or Mortgagee may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee or Mortgagee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee or Mortgagee. If the Trustee or Mortgagee shall have given notice of sale hereunder, any successor or substitute trustee or mortgagee agent thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute trustee or mortgagee agent conducting the sale.

Section 5.04. Judicial Foreclosure; Receivership. If an Event of Default shall occur and be continuing, the Trustee or the Mortgagee shall have the right and power to proceed by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement herein contained or in aid of the execution of any power herein granted, or for any foreclosure hereunder or for the sale of the Collateral under the judgment or decree of any court or courts of competent jurisdiction, or for the appointment of a receiver pending any foreclosure hereunder or the sale of the Collateral under the order of a court or courts of competent jurisdiction or under executory or other legal process, or for the enforcement of any other appropriate legal or equitable remedy. Any money advanced by the Trustee and/or the Mortgagee in connection with any such receivership shall be a demand obligation (which obligation the Mortgagor hereby expressly promises to pay)

owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from the date of making such advance by the Trustee and/or the Mortgagee until paid as provided in the Credit Agreement.

Section 5.05. Foreclosure for Installments. The Mortgagee shall also have the option to proceed with foreclosure in satisfaction of any installments of the Secured Obligations which have not been paid when due following the occurrence and during the continuance of an Event of Default either through the courts or by directing the Trustee to proceed with foreclosure in satisfaction of the matured but unpaid portion of the Secured Obligations as if under a full foreclosure, conducting the sale as herein provided and without declaring the entire principal balance and accrued interest and other Secured Obligations then due; such sale may be made subject to the unmatured portion of the Secured Obligations, and any such sale shall not in any manner affect the unmatured portion of the Secured Obligations, but as to such unmatured portion of the Secured Obligations this Mortgage shall remain in full force and effect just as though no sale had been made hereunder. It is further agreed that several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Secured Obligations, it being the purpose hereof to provide for a foreclosure and sale of the security for any matured portion of the Secured Obligations without exhausting the power to foreclose and sell the Mortgaged Property for any subsequently maturing portion of the Secured Obligations.

Section 5.06. Separate Sales. If any Event of Default shall occur and be continuing, the Collateral may be sold in one or more parcels and to the extent permitted by applicable law in such manner and order as the Mortgagee, in its sole discretion, may elect, it being expressly understood and agreed that the right of sale arising out of any Event of Default shall not be exhausted by any one or more sales.

Section 5.07. Possession of Mortgaged Property. If an Event of Default shall have occurred and be continuing, then, to the extent permitted by applicable law, the Trustee or the Mortgagee shall have the right and power to enter into and upon and take possession of all or any part of the Collateral in the possession of the Mortgagor, its successors or assigns, or its or their agents or servants, and may exclude the Mortgagor, its successors or assigns, and all persons claiming under the Mortgagor, and its or their agents or servants wholly or partly therefrom; and, holding the same, the Mortgagee may use, administer, manage, operate and control the Collateral and conduct the business thereof to the same extent as the Mortgagor, its successors or assigns, might at the time do and may exercise all rights and powers of the Mortgagor, in the name, place and stead of the Mortgagor, or otherwise as the Mortgagee shall deem best. All costs, expenses and liabilities of every character incurred by the Trustee and/or the Mortgagee in administering, managing, operating, and controlling the Mortgaged Property shall constitute a demand obligation (which obligation the Mortgagor hereby expressly promises to pay) owing by the Mortgagor to the Trustee and/or the Mortgagee and shall bear interest from date of expenditure until paid as provided in the Credit Agreement.

Section 5.08. Occupancy After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale the Mortgagor or the Mortgagor's heirs, devisees, representatives, successors or assigns or any other person claiming any interest in the Collateral by, through or under the Mortgagor, are occupying or using the Mortgaged Property or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which

tenancy shall be a tenancy from day to day, terminable at the will of either the landlord or tenant, or at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the Mortgaged Property (such as an action for forcible entry and detainer) in any court having jurisdiction.

Section 5.09. Remedies Cumulative, Concurrent and Nonexclusive. Every right, power, privilege and remedy herein given to the Trustee or the Mortgagee shall be cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing in equity, at law or by statute (including specifically those granted by the Applicable UCC in effect and applicable to the Collateral or any portion thereof). Each and every right, power, privilege and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by the Trustee or the Mortgagee, and the exercise, or the beginning of the exercise, or the abandonment, of any such right, power, privilege or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter any other right, power, privilege or remedy. No delay or omission by the Trustee, the Mortgagee or any other Secured Party in the exercise of any right, power or remedy shall impair any such right, power, privilege or remedy or operate as a waiver thereof or of any other right, power, privilege or remedy then or thereafter existing.

Section 5.10. Discontinuance of Proceedings. If the Trustee or the Mortgagee shall have proceeded to invoke any right, remedy or recourse permitted hereunder or under any Secured Transaction Document or available at law and shall thereafter elect to discontinue or abandon same for any reason, then it shall have the unqualified right so to do and, in such an event, the parties shall be restored to their former positions with respect to the Secured Obligations, this Mortgage, the Credit Agreement, the Collateral and otherwise, and the rights, remedies, recourses and powers of the Trustee and the Mortgagee, as applicable, shall continue as if same had never been invoked.

Section 5.11. No Release of Obligations. Neither the Mortgagor, any Guarantor nor any other person hereafter obligated for payment of all or any part of the Secured Obligations shall be relieved of such obligation by reason of: (a) the failure of the Trustee to comply with any request of the Mortgagor, or any Guarantor or any other Person so obligated to foreclose the Lien of this Mortgage or to enforce any provision hereunder or under the Credit Agreement; (b) the release, regardless of consideration, of the Mortgaged Property or any portion thereof or interest therein or the addition of any other property to the Mortgaged Property; (c) any agreement or stipulation between any subsequent owner of the Mortgaged Property and the Mortgagee extending, renewing, rearranging or in any other way modifying the terms of this Mortgage without first having obtained the consent of, given notice to or paid any consideration to the Mortgagor, any Guarantor or such other Person, and in such event the Mortgagor, Guarantor and all such other Persons shall continue to be liable to make payment according to the terms of any such extension or modification agreement unless expressly released and discharged in writing by the Mortgagee; or (d) by any other act or occurrence save and except if the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement.

Section 5.12. Release of and Resort to Collateral. The Mortgagee may release, regardless of consideration, any part of the Collateral without, as to the remainder, in any way impairing, affecting, subordinating or releasing the Lien created in or evidenced by this Mortgage or its stature as a first and prior Lien in and to the Collateral, and without in any way releasing or diminishing the liability of any Person liable for the repayment of the Secured Obligations. For payment of the Secured Obligations, the Mortgagee may resort to any other security therefor held by the Mortgagee or the Trustee in such order and manner as the Mortgagee may elect.

Section 5.13. Waiver of Redemption, Notice and Marshalling of Assets, Etc. To the fullest extent permitted by law, the Mortgagor hereby irrevocably and unconditionally waives and releases (a) all benefits that might accrue to the Mortgagor by virtue of any present or future moratorium law or other law exempting the Collateral from attachment, levy or sale on execution or providing for any appraisal, valuation, stay of execution, exemption from civil process, redemption or extension of time for payment; (b) all notices of any Event of Default or of the Mortgagee's or any other Secured Party's intention to accelerate maturity of the Secured Obligations or of any election to exercise or any actual exercise of any right, remedy or recourse provided for hereunder or under any Secured Transaction Document or available at law; and (c) any right to a marshalling of assets or a sale in inverse order of alienation. If any law referred to in this Mortgage and now in force, of which the Mortgagor or its successor or successors might take advantage despite the provisions hereof, shall hereafter be repealed or cease to be in force, such law shall thereafter be deemed not to constitute any part of the contract herein contained or to preclude the operation or application of the provisions hereof. If the laws of any state which provides for a redemption period do not permit the redemption period to be waived, the redemption period shall be specifically reduced to the minimum amount of time allowable by statute.

Section 5.14. Application of Proceeds. The proceeds of any sale of the Mortgaged Property or any part thereof and all other monies received in any proceedings for the enforcement hereof or otherwise, whose application has not elsewhere herein been specifically provided for, shall be applied:

(a) First, to the payment of all reasonable expenses incurred by the Trustee or the Mortgagee incident to the enforcement of this Mortgage, the Credit Agreement or any Secured Transaction Document to collect any portion of the Secured Obligations (including, without limiting the generality of the foregoing, expenses of any entry or taking of possession, of any sale, of advertisement thereof, and of conveyances, and court costs, compensation of agents and employees, legal fees and a reasonable commission to the Trustee acting, if applicable), and to the payment of all other reasonable charges, expenses, liabilities and advances incurred or made by the Trustee or the Mortgagee under this Mortgage or in executing any trust or power hereunder; and

(b) Second, as set forth in Section 10.02(c) of the Credit Agreement.

Section 5.15. Resignation of Operator. In addition to all rights and remedies under this Mortgage, at law and in equity, if any Event of Default shall occur and the Trustee or the Mortgagee shall exercise any remedies under this Mortgage with respect to any portion of the Mortgaged Property (or the Mortgagor shall transfer any Mortgaged Property "in lieu of" foreclosure) whereupon the Mortgagor is divested of its title to any of the Collateral, the Mortgagee

shall have the right to request that any operator of any Mortgaged Property which is either the Mortgagor or any Affiliate of the Mortgagor to resign as operator under the joint operating agreement applicable thereto, and no later than 60 days after receipt by the Mortgagor of any such request, the Mortgagor shall resign (or cause such other Person to resign) as operator of such Collateral.

Section 5.16. Indemnity. THE INDEMNIFIED PARTIES SHALL NOT BE LIABLE, IN CONNECTION WITH ANY ACTION TAKEN, FOR ANY LOSS SUSTAINED BY THE MORTGAGOR RESULTING FROM AN ASSERTION THAT THE MORTGAGEE HAS RECEIVED FUNDS FROM THE PRODUCTION OF HYDROCARBONS CLAIMED BY THIRD PERSONS OR ANY ACT OR OMISSION OF ANY INDEMNIFIED PARTY IN ADMINISTERING, MANAGING, OPERATING OR CONTROLLING THE MORTGAGED PROPERTY **INCLUDING SUCH LOSS WHICH MAY RESULT FROM THE ORDINARY NEGLIGENCE OF AN INDEMNIFIED PARTY** UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. NO INDEMNIFIED PARTY SHALL BE OBLIGATED TO PERFORM OR DISCHARGE ANY OBLIGATION, DUTY OR LIABILITY OF THE MORTGAGOR. THE MORTGAGOR SHALL AND DOES HEREBY AGREE TO INDEMNIFY EACH INDEMNIFIED PARTY FOR, AND TO HOLD EACH INDEMNIFIED PARTY HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED BY ANY INDEMNIFIED PARTY BY REASON OF THIS MORTGAGE OR THE EXERCISE OF RIGHTS OR REMEDIES HEREUNDER UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT, BAD FAITH OR GROSS NEGLIGENCE OF THE INDEMNIFIED PARTY SEEKING INDEMNITY. IF ANY INDEMNIFIED PARTY SHALL MAKE ANY EXPENDITURE ON ACCOUNT OF ANY SUCH LIABILITY, LOSS OR DAMAGE, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES AND REASONABLE ATTORNEYS' FEES, SHALL BE A DEMAND OBLIGATION (WHICH OBLIGATION THE MORTGAGOR HEREBY EXPRESSLY PROMISES TO PAY) OWING BY THE MORTGAGOR TO SUCH INDEMNIFIED PARTY AND SHALL BEAR INTEREST FROM THE DATE EXPENDED UNTIL PAID AS PROVIDED IN THE CREDIT AGREEMENT. THE MORTGAGOR HEREBY ASSENTS TO, RATIFIES AND CONFIRMS ANY AND ALL ACTIONS OF EACH INDEMNIFIED PARTY WITH RESPECT TO THE MORTGAGED PROPERTY TAKEN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS MORTGAGE. THE LIABILITIES OF THE MORTGAGOR AS SET FORTH IN THIS SECTION 5.16 SHALL SURVIVE THE TERMINATION OF THIS MORTGAGE.

ARTICLE VI THE TRUSTEE

Section 6.01. Duties, Rights, and Powers of Trustee. The Trustee shall have no duty to see to any recording, filing or registration of this Mortgage or any other instrument in addition or supplemental thereto, or to give any notice thereof, or to see to the payment of or be under any duty in respect of any tax or assessment or other governmental charge which may be levied or assessed on the Mortgaged Property, or any part thereof, or against the Mortgagor, or to see to the performance or observance by the Mortgagor of any of the covenants and agreements contained herein. The Trustee shall not be responsible for the execution, acknowledgment or validity of this

Mortgage or of any instrument in addition or supplemental hereto or for the sufficiency of the security purported to be created hereby, and makes no representation in respect thereof or in respect of the rights of the Mortgagee. The Trustee shall have the right to advise with counsel upon any matters arising hereunder and shall be fully protected in relying as to legal matters on the advice of counsel. The Trustee shall not incur any personal liability hereunder except for the Trustee's own willful misconduct; and the Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by him hereunder, believed by him in good faith to be genuine.

Section 6.02. Successor Trustee. The Trustee may resign by written notice addressed to the Mortgagee or be removed at any time with or without cause by an instrument in writing duly executed on behalf of the Mortgagee. In case of the death, resignation or removal of the Trustee, a successor may be appointed by the Mortgagee by instrument of substitution complying with any applicable Governmental Requirements, or, in the absence of any such requirement, without formality other than appointment and designation in writing. Written notice of such appointment and designation shall be given by the Mortgagee to the Mortgagor, but the validity of any such appointment shall not be impaired or affected by failure to give such notice or by any defect therein. Such appointment and designation shall be full evidence of the right and authority to make the same and of all the facts therein recited. Upon the making of any such appointment and designation, this Mortgage shall vest in the successor all the estate and title in and to all of the Mortgaged Property in or adjacent to the Deed of Trust State, and the successor shall thereupon succeed to all of the rights, powers, privileges, immunities and duties hereby conferred upon the Trustee named herein, and one such appointment and designation shall not exhaust the right to appoint and designate an additional successor but such right may be exercised repeatedly until the Secured Obligations are paid as provided in Section 12.18(a) of the Credit Agreement. To facilitate the administration of the duties hereunder, the Mortgagee may appoint multiple trustees to serve in such capacity or in such jurisdictions as the Mortgagee may designate.

Section 6.03. Retention of Moneys. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law) and the Trustee shall be under no liability for interest on any moneys received by him hereunder.

ARTICLE VII MISCELLANEOUS

Section 7.01. Instrument Construed as Mortgage, Etc. With respect to any portions of the Mortgaged Property located in or adjacent to any State or other jurisdiction the laws of which do not provide for the use or enforcement of a deed of trust or the office, rights and authority of the Trustee as herein provided, the general language of conveyance hereof to the Trustee is intended and the same shall be construed as words of mortgage unto and in favor of the Mortgagee and the rights and authority granted to the Trustee herein may be enforced and asserted by the Mortgagee in accordance with the laws of the jurisdiction in which such portion of the Mortgaged Property is located and the same may be foreclosed at the option of the Mortgagee as to any or all such portions of the Mortgaged Property in any manner permitted by the laws of the jurisdiction in which such portions of the Mortgaged Property is situated. This Mortgage may be construed as a mortgage,

deed of trust, conveyance, assignment, security agreement, fixture filing, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Lien hereof and the purposes and agreements herein set forth.

Section 7.02. Releases.

(a) Full Release. If all Secured Obligations shall be paid as provided in Section 12.18(a) of the Credit Agreement, the Mortgagee shall forthwith release this Mortgage to be entered upon the record at the expense of the Mortgagor and shall execute and deliver or cause to be executed and delivered such instruments of release as may be appropriate or otherwise reasonably requested by the Mortgagor and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed. Otherwise, this Mortgage shall remain and continue in full force and effect.

(b) Partial Release. If any of the Mortgaged Property shall be sold, transferred or otherwise disposed of by the Mortgagor in a transaction permitted by the Credit Agreement, then the Mortgagee, at the request and sole expense of the Mortgagor, shall promptly execute and deliver to the Mortgagor all releases, reconveyances or other documents reasonably necessary or desirable to evidence the release of the Liens created hereby on the Mortgaged Property and in such form as required for recordation or filing in all jurisdictions in which this Mortgage has been recorded or filed.

(c) Possession of Notes. The Mortgagor acknowledges and agrees that possession of any Note (or any replacements of any said Note or other instrument evidencing any part of the Secured Obligations) at any time by the Mortgagor or any other Guarantor shall not in any manner extinguish the Secured Obligations or this Mortgage, and the Mortgagor shall have the right to issue and reissue any of the Notes from time to time as its interest or as convenience may require, without in any manner extinguishing or affecting the Secured Obligations or the Lien of this Mortgage.

Section 7.03. Severability. If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction and the remaining provisions hereof shall be liberally construed in favor of the Trustee, the Mortgagee and the other Secured Parties in order to effectuate the provisions hereof. The invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction.

Section 7.04. Successors and Assigns. The terms used to designate any Person shall be deemed to include the respective permitted successors and assigns of such Person.

Section 7.05. Satisfaction of Prior Encumbrance. To the extent that proceeds of the Credit Agreement are used to pay indebtedness by any outstanding Lien against the Mortgaged Property then the parties agree that: (a) such proceeds have been advanced at the Mortgagor's request, and (b) the Mortgagee and the Lenders shall be subrogated to any and all rights and Liens owned by any owner or holder of such outstanding Liens, irrespective of whether said Liens are or have been released. It is expressly understood that, in consideration of the payment of such other indebtedness, the Mortgagor hereby waives and releases all demands and causes of action for

offsets and payments to, upon and in connection with the said indebtedness. This Mortgage is made with full substitution and subrogation of the Trustee and the Mortgagee and his successors in this trust and his and their assigns in and to all covenants and warranties by others heretofore given or made in respect of the Mortgaged Property or any part thereof.

Section 7.06. Application of Payments to Certain Obligations. If any part of the Secured Obligations cannot be lawfully secured by this Mortgage or if any part of the Mortgaged Property cannot be lawfully subject to the Lien hereof to the full extent of the Secured Obligations, then all payments made shall be applied on said Secured Obligations first in discharge of that portion thereof which is not secured by this Mortgage.

Section 7.07. Nature of Covenants. The covenants and agreements herein contained shall constitute covenants running with the land and interests covered or affected hereby and shall be binding upon the heirs, legal representatives, successors and assigns of the parties hereto.

Section 7.08. Notices. All notices, requests, consents, demands and other communications required or permitted hereunder shall be in writing and shall be deemed sufficiently given or furnished if delivered to in accordance with Section 12.01 of the Credit Agreement.

Section 7.09. Counterparts. This Mortgage is being executed in several counterparts, all of which are identical, except that to facilitate recordation, if the Mortgaged Property is situated in more than one county, descriptions of only those portions of the Mortgaged Property located in the county in which a particular counterpart is recorded shall be attached as Exhibit A to such counterpart. Each of such counterparts shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same instrument. Complete copies of this Mortgage containing the entire Exhibit A have been retained by the Mortgagee.

Section 7.10. Governing Law. This Mortgage shall be construed under and governed by the laws of the State of Texas.

Section 7.11. Financing Statement; Fixture Filing. This Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all Fixtures included within the Mortgaged Property and is to be filed or filed for record in the real estate records, Mortgage records or other appropriate records of each jurisdiction where any part of the Mortgaged Property (including said fixtures) are situated. This Mortgage shall also be effective as a financing statement covering As-Extracted Collateral (including oil and gas and all other substances of value which may be extracted from the ground) and accounts financed at the wellhead or minehead of wells or mines located on the properties subject to the Applicable UCC and is to be filed for record in the real estate records, Uniform Commercial Code records or other appropriate records of each jurisdiction where any part of the Mortgaged Property is situated.

Section 7.12. Financing Statements. Pursuant to the Applicable UCC, the Mortgagor authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record financing statements, continuation statements, amendments thereto and other filing or recording documents or instruments with respect to the Mortgaged Property in such form and in such offices as the Mortgagee reasonably determines appropriate to perfect the security interests

of the Mortgagee under this Agreement. The Mortgagor also authorizes the Mortgagee, its counsel or its representative, at any time and from time to time, to file or record such financing statements that describe the collateral covered thereby as "all assets of the Mortgagor", "all personal property of the Mortgagor" or words of similar effect. The Mortgagor shall pay all costs associated with the filing of such instruments.

In that regard, the following information is provided:

Name of Debtor:	ARMADILLO E&P, INC.
Address of Debtor	633 17th Street, Suite 1950 Denver, Colorado 80202
State of Formation/Location	Delaware
Organizational ID Number	4261017
Facsimile:	(303) 543-5701 Attention: Eric P. McCrady
Telephone:	(303) 543-5700
Principal Place of Business of Debtor:	633 17th Street, Suite 1950 Denver, Colorado 80202
Name of Secured Party:	MORGAN STANLEY ENERGY CAPITAL INC., as Administrative Agent
Address of Secured Party:	1585 Broadway, 16th Floor New York, New York 10036
E-mail:	Attention: David Lazarus David.Lazarus@morganstanley.com
Telephone:	(212) 296-8134
Owner of Record of Real Property:	Mortgagor

Section 7.13. Exculpation Provisions. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS MORTGAGE; AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS MORTGAGE; THAT IT HAS IN FACT READ THIS MORTGAGE AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS MORTGAGE; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS MORTGAGE; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS MORTGAGE; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS MORTGAGE 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 MORTGAGE ON THE BASIS THAT THE PARTY HAD NO NOTICE

OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 7.14. References. The words “herein,” “hereof,” “hereunder” and other words of similar import when used in this Mortgage refer to this Mortgage as a whole, and not to any particular article, section or subsection. Any reference herein to a Section shall be deemed to refer to the applicable Section of this Mortgage unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 7.15. Integration. THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO, AS APPLICABLE, 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. In the event of a conflict between the terms of this Mortgage, the terms of the Guarantee and the terms of the Credit Agreement, as between any of the Loan Parties and the Mortgagee, the terms of the Credit Agreement shall control.

Section 7.16. Timing of Payment and Performance. If the day specified in this Mortgage for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

Section 7.17. Intercreditor Agreement. Notwithstanding anything herein to the contrary, (a) the liens and security interests granted to the Trustee and/or the Mortgagee pursuant to this Mortgage are expressly subject and subordinate to the liens and security interests granted in favor of the Senior Secured Parties (as defined in the Intercreditor Agreement referred to below), including liens and security interests granted to Natixis, New York Branch, as administrative agent, pursuant to or in connection with the Credit Agreement, dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time), among the Parent, the Borrower, the banks, financial institutions and other lending institutions from time to time parties as lenders thereto and Natixis, New York Branch, as administrative agent, and (b) the exercise of any right or remedy by Morgan Stanley Energy Capital Inc., as Second Priority Representative (as defined in the Intercreditor Agreement referred to below), hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of April 23, 2018 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Natixis, New York Branch, as Senior Representative, Morgan Stanley Energy Capital Inc., as Second Priority Representative, the Parent, the Borrower and its subsidiaries and affiliated entities party thereto. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.

[THIS SPACE INTENTIONALLY LEFT BLANK]

EXECUTED this __ day of _____, 2018, to be effective as of the Effective Date.

ARMADILLO E&P, INC.

By: _____
Name: Cathy L. Anderson
Title: Chief Financial Officer

STATE OF COLORADO §
 §
COUNTY OF DENVER §

This instrument was acknowledged before me on April _____, 2018 by Cathy L. Anderson, Chief Financial Officer of Armadillo E&P, Inc., a Delaware corporation, on behalf of said corporation.

Notary Public

SEAL:

Signature Page to Mortgage

EXHIBIT A

to

MORTGAGE, DEED OF TRUST, ASSIGNMENT OF AS-EXTRACTED COLLATERAL, SECURITY AGREEMENT, FIXTURE FILING AND FINANCING STATEMENT

Introduction

The capitalized terms used but not defined in this Exhibit A are used as defined in the Mortgage. For purposes of this Exhibit A the capitalized terms not defined in the Mortgage are as follows:

1. "Working Interest" or "Gross Working Interest" and "W.I." or "G.W.I." means an interest owned in an oil, gas and mineral lease that determines the cost bearing percentage of the owner of such interest.
2. "Net Revenue Interest" or "N.R.I." means an interest (expressed as a percentage or decimal fraction) in and to all Hydrocarbons produced and saved from or attributable to a Well. In the case of any Well listed in Exhibit A, the Net Revenue Interest specified for such Well shall mean the sum of the percentage or decimal fraction set forth after the words "Net Revenue Interest" in the portion applicable to such Well.
3. "Well" means (i) any existing well identified in Exhibit A, including replacement wells drilled in lieu thereof from which Hydrocarbons are now or hereafter produced and (ii) any well at any time producing or capable of producing Hydrocarbons as defined above, including any well which has been shut-in, has temporarily ceased production or on which workover, reworking, plugging and abandonment or other operations are being conducted or planned.

All references contained in this Exhibit A to the Oil and Gas Properties are intended to include references to (i) the volume or book and page, file, entry or instrument number of the appropriate records of the particular county in the state where each such lease or other instrument is recorded and (ii) all valid and existing amendments to such lease or other instrument of record in such county records regardless of whether such amendments are expressly described herein. A special reference is here made to each such lease or other instrument and the record thereof for a more particular description of the property and interests sought to be affected by the Mortgage and for all other purposes.

For recording purposes, in regards to each county portion to this Exhibit A, this Introduction may be attached to an original executed copy of the Mortgage, Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement to be separately filed of record in each county.

WHENEVER IN EXHIBIT A TO THIS MORTGAGE THERE IS A PROPERTY DESCRIPTION THAT REFERS TO A GOVERNMENTAL SECTION (WHETHER AS "SECTION" OR "SEC," SIMPLY "S" OR WITHOUT ANY DESIGNATION EXCEPT IN THE COLUMN HEADER) WITHOUT FURTHER REFERRING TO A PARTICULAR

GOVERNMENTAL SUBDIVISION(S) OF THE SECTION, THAT PROPERTY DESCRIPTION IS INTENDED TO REFER TO AND ENCOMPASS THE ENTIRE GOVERNMENTAL SECTION. FOR AVOIDANCE OF DOUBT, IT IS THE INTENT OF MORTGAGOR IN SUCH CASES THAT THE GRANT OF A MORTGAGE LIEN UNDER § 2.01 INCLUDES ALL OF MORTGAGOR'S RIGHT, TITLE AND INTEREST IN AND TO ANY AND ALL HYDROCARBON INTERESTS OF WHATSOEVER KIND OR NATURE NOW OWNED OR HEREAFTER ACQUIRED LYING WITHIN THE ENTIRE GOVERNMENTAL SECTION IDENTIFIED ON SAID EXHIBIT A.

INTERCREDITOR AGREEMENT

among

SUNDANCE ENERGY, INC.,

the other Grantors party hereto,

NATIXIS, NEW YORK BRANCH,
as Senior Representative,

and

MORGAN STANLEY ENERGY CAPITAL, INC.,
as the Second Priority Representative,

dated as of April 23, 2018.

INTERCREDITOR AGREEMENT dated as of April 23, 2018 (as amended, restated, supplemented or otherwise modified from time to time, this “Agreement”), among SUNDANCE ENERGY, INC., a Colorado corporation (the “Company”), the other Grantors (as defined below) party hereto, NATIXIS, NEW YORK BRANCH, as representative for the Senior Secured Parties (in such capacity and together with its successors in such capacity, the “Senior Representative”), and MORGAN STANLEY ENERGY CAPITAL, INC., as representative for the Second Priority Debt Parties (in such capacity and together with its successors in such capacity, the “Second Priority Representative”).

RECITALS

WHEREAS, Sundance Energy Australia Limited, a limited company organized under the laws of South Australia (the “Parent”), the Company, as borrower, the Senior Representative, as administrative agent, and the various financial institutions party thereto as agents or lenders are parties to that certain Credit Agreement dated as of the date hereof (as amended, restated, extended, replaced, supplemented, modified or Refinanced in accordance with the terms hereof, the “Senior Credit Agreement”), pursuant to which such financial institutions and other entities have agreed to make loans and extended other financial accommodations to the Company, which are secured, along with certain Swap Agreements, on a first priority basis pursuant thereto;

WHEREAS, the Parent, the Company, as borrower, the Second Priority Representative, as administrative agent, and the various financial institutions and other entities parties thereto as agents or lenders are parties to that certain Amended and Restated Term Loan Credit Agreement dated as of the date hereof (as amended, restated, extended, replaced, supplemented, modified or Refinanced in accordance with the terms hereof, the “Second Priority Credit Agreement”), pursuant to which such financial institutions and other entities have agreed to make loans to the Company which will be secured on a second priority basis pursuant thereto;

WHEREAS, the Company and the Grantors (as defined below) have granted to the Senior Representative security interests in the Collateral (as defined below) as security for payment and performance of the Senior Obligations (as defined below); and

WHEREAS, the Company and the other Grantors have granted to the Second Priority Representative junior security interests in the Collateral as security for payment and performance of the Second Priority Debt Obligations (as defined below), so that they may be secured on a junior priority basis by the same collateral that secures the obligations under the Senior Credit Agreement;

NOW THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Senior Representative (for itself and on behalf of the Senior Secured Parties (as defined below)), the Second Priority Representative (for itself and on behalf of the Second Priority Debt Parties (as defined below)), agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Certain Defined Terms. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Senior Credit Agreement or in the UCC (it being understood that if any term is defined both under the Senior Credit Agreement and the UCC, the Senior Credit Agreement defined term shall be used absent manifest error). As used in this Agreement, the following terms have the meanings specified below:

“Agreement” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Bankruptcy Case” means a case under the Bankruptcy Code or any other Bankruptcy Law.

“Bankruptcy Code” means Title 11 of the United States Code, as amended or any similar federal or state law for the relief of debtors.

“Bankruptcy Law” means the Bankruptcy Code and any other federal, state or foreign law for the relief of debtors, or any arrangement, reorganization, insolvency, moratorium, assignment for the benefit of creditors, any other marshalling of the assets or liabilities of the Company or any of its Subsidiaries, or similar law affecting creditors’ rights generally.

“Borrowing Base” means, on any date, an amount equal to the most recent determination or adjustment made under the Senior Credit Agreement by the Senior Secured Parties, in accordance with usual and customary industry policies and procedures of commercial banks engaged in US oil and gas reserve based lending in the ordinary course of their respective businesses for extending conforming credit to oil and gas reserve-based customers, as the maximum amount of principal obligations that may be outstanding plus the maximum stated amount of all letters of credit outstanding under and in accordance with the Senior Credit Agreement, which determination shall be based upon the loan collateral value assigned to the Oil and Gas Properties of the Grantors and such other credit factors (including without limitation the assets, liabilities, cash flow, business, properties, prospects, management and ownership of the Grantors) that the Senior Secured Parties deem significant.

“Cap Amount” means, as of any day any debt in respect of a Loan is incurred or a Letter of Credit is issued (other than renewal of outstanding Letters of Credit in amounts not exceeding the outstanding face amounts), the lesser of (a) \$250,000,000 and (b) the Borrowing Base in effect on such day. The “Cap Amount” shall not include any additional amounts to the extent such amounts are customary advances made to pay taxes on or to insure any Collateral or otherwise to protect and preserve the Collateral or the perfection and priority of the Liens of the Senior Representative or any Senior Secured Party with respect thereto, in each case to the extent not timely paid or reimbursed by the Grantors).

“Collateral” means all of the property of the Grantors whether real, personal or mixed with respect to which a Lien is granted (or is required to be granted) pursuant to a Senior Collateral Document as security for the Senior Obligations.

“Collateral Documents” means the Senior Collateral Documents and the Second Priority Collateral Documents.

“Company” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Debt Facility” means any Senior Facility and any Second Priority Debt Facility.

“DIP Cap” has the meaning assigned to such term in Section 6.01.

“DIP Financing” has the meaning assigned to such term in Section 6.01.

“Discharge of Senior Obligations” means, except to the extent otherwise expressly provided in Section 5.06:

(a) payment in full in cash of the principal of and interest (including interest accruing on or after the commencement of any Insolvency or Liquidation Proceeding, whether or not such interest would be allowed in such Insolvency or Liquidation Proceeding), on all Debt outstanding under the Senior Debt Documents and constituting Senior Obligations (other than Excess Senior Obligations until repayment in full of the Second Priority Debt Obligations);

(b) payment in full in cash of all other Senior Obligations (other than (i) Excess Senior Obligations until repayment in full of the Second Priority Debt Obligations and (ii) Senior Obligations owed to Secured Swap Providers or Secured Cash Management Providers) that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid;

(c) termination or expiration of all commitments, if any, to extend credit that would constitute Senior Obligations (other than Excess Senior Obligations until repayment in full of the Second Priority Debt Obligations);

(d) termination or cash collateralization of (in an amount and manner reasonably satisfactory to the Senior Representative, but in no event greater than 105% of the aggregate maximum undrawn face amount), or the entry into arrangements reasonably satisfactory to the Senior Representative and the Issuing Bank with respect to, all Letters of Credit issued under the Senior Debt Documents and constituting Senior Obligations (other than Excess Senior Obligations until repayment in full of the Second Priority Debt Obligations);

(e) termination of all Secured Swap Agreements and payment of all Senior Obligations owed to all Secured Swap Providers or, with respect to any particular Secured Swap Agreement, such other arrangements as have been made by the Borrower and the Secured Swap Provider who is a party to such Secured Swap Agreement (and communicated to the Senior Representative); and

(f) payment of all Senior Obligations owed to all Secured Cash Management Providers (or, with respect to any particular Secured Cash Management Agreement, such other arrangements as have been made by the Borrower and the Secured Cash Management Provider

who is a party to such Secured Cash Management Agreement (and communicated to the Senior Representative).

“Excess Senior Obligations” means, at any time a determination thereof is to be made, the amount of Senior Obligations, if any, constituting the principal amount of loans and unreimbursed draws under Letters of Credit plus the maximum stated amount of undrawn Letters of Credit outstanding under the Senior Credit Agreement that are in excess of the Cap Amount.

“Grantors” means the Parent, the Company and any Subsidiary which has granted a Lien on any Collateral pursuant to any Collateral Document to secure any Senior Obligation.

“Guarantors” means the “Guarantors” as defined in the Senior Credit Agreement.

“Insolvency or Liquidation Proceeding” means:

(a) any case commenced by or against the Company or any other Guarantor under any Bankruptcy Law, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of the Company or any other Guarantor, any receivership or assignment for the benefit of creditors relating to the Company or any other Guarantor or any similar case or proceeding relative to the Company or any other Guarantor or its creditors, as such, in each case whether or not voluntary;

(b) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to the Company or any other Guarantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(c) any other proceeding of any type or nature in which substantially all claims of creditors of the Company or any other Guarantor are determined and any payment or distribution is or may be made on account of such claims.

“New Senior Debt Notice” has the meaning assigned to such term in Section 5.06.

“Officer’s Certificate” has the meaning assigned to such term in Section 8.08.

“Permitted Delay” means any period during which the Senior Representative or the Senior Secured Parties are diligently pursuing their rights and remedies with respect to all or a material portion of the Collateral or the Company or any other Grantor is then a debtor under or with respect to (or otherwise subject to) any Insolvency or Liquidation Proceeding.

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

“Pledged or Controlled Collateral” has the meaning assigned to such term in Section 5.05(a).

“Proceeds” means the proceeds of any sale, collection or other liquidation of Collateral and any payment or distribution made in respect of Collateral in a Bankruptcy Case and

any amounts received by the Senior Representative or any Senior Secured Party from a Second Priority Debt Party in respect of Collateral pursuant to this Agreement.

“Purchase” has the meaning assigned to such term in Section 5.07(a).

“Recovery” has the meaning assigned to such term in Section 6.04.

“Refinance” means, in respect of a Debt Facility, to refinance, extend, renew, defease, amend, increase, modify, supplement, restructure, refund, replace or repay, or to issue other Debt or enter alternative financing arrangements, in exchange or replacement for such Debt Facility (in whole or in part), including by adding or replacing lenders, creditors, agents, borrowers and/or guarantors, and including, in each case, through any credit agreement, indenture or other agreement. “Refinanced” and “Refinancing” have correlative meanings.

“Representatives” means the Senior Representative and the Second Priority Representative.

“Second Priority Collateral” means any “Collateral” or the assets encompassed by any equivalent term, in each case, as defined in any Second Priority Debt Document or any other assets of the Company or any other Grantor with respect to which a Lien is granted or purported to be granted pursuant to a Second Priority Collateral Document as security for any Second Priority Debt Obligation.

“Second Priority Collateral Documents” means the “Guarantee and Collateral Agreement” and the other “Security Instruments” as each of such terms are defined in the Second Priority Credit Agreement or any similar term in any Second Priority Debt Document in respect of any Refinancing of the Second Priority Credit Agreement, and each of the collateral agreements, security agreements, mortgages, deeds of trust and other instruments and documents executed and delivered by the Company or any Grantor for purposes of providing Second Priority Collateral.

“Second Priority Credit Agreement” has the meaning assigned to such term in the recitals.

“Second Priority Debt Documents” means the Second Priority Credit Agreement and the “Loan Documents” as such term is defined in the Second Priority Credit Agreement or any similar term in any Second Priority Debt Document in respect of any Refinancing of the Second Priority Credit Agreement.

“Second Priority Debt Facility” means the Second Priority Credit Agreement and any Refinancing thereof.

“Second Priority Debt Obligations” means the “Secured Obligations” as defined in the Second Priority Credit Agreement or any similar term in any Second Priority Debt Document in respect of any Refinancing of the Second Priority Credit Agreement, including any interest which accrues after the commencement of any Bankruptcy Case, whether or not allowed or allowable as a claim in any such proceeding.

“Second Priority Debt Parties” means the Agents or any Lender, each as defined in the Second Priority Credit Agreement, together with the beneficiaries of each indemnification obligation undertaken by the Company or any other Guarantor under any related Second Priority Debt Documents and other Person holding Refinanced Debt in respect thereof (including Refinanced Debt of Refinanced Debt).

“Second Priority Representative” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Secured Parties” means the Senior Secured Parties and the Second Priority Debt Parties.

“Selling Party” has the meaning assigned to such term in Section 5.07(e).

“Senior Collateral Documents” means the “Guaranty and Collateral Agreement” and the other “Security Instruments” as each of such terms are defined in the Senior Credit Agreement and each of the collateral agreements, security agreements, mortgages, deeds of trust and other instruments and documents executed and delivered by the Company or any other Grantor for purposes of providing collateral security for any Senior Obligation.

“Senior Credit Agreement” has the meaning assigned to such term in the recitals to this Agreement.

“Senior Debt Documents” means the Senior Credit Agreement and the other “Loan Documents” as such term is defined in the Senior Credit Agreement or any similar term in any Senior Debt Document in respect of any Refinancing of the Senior Credit Agreement.

“Senior Facility” means the Senior Credit Agreement and any Refinancing thereof.

“Senior Obligations” means the “Secured Obligations” as defined in the Senior Credit Agreement and any equivalent term in any Refinancing thereof.

“Senior Representative” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Senior Secured Parties” means the “Secured Parties” as defined in the Senior Credit Agreement and other Person holding Refinanced Debt in respect thereof (including Refinanced Debt of Refinanced Debt).

“Standstill Period” has the meaning assigned to such term in Section 3.01(a)(i).

“Subsidiary” has the meaning assigned to such term in the Senior Credit Agreement in effect on the date hereof.

“Swap Agreements” means “Swap Agreement” as defined in the Senior Credit Agreement or any similar term in any Senior Debt Document in respect of any Refinancing of the Senior Credit Agreement.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York, or the Uniform Commercial Code (or any similar or comparable legislation) of another jurisdiction, to the extent it may be required to apply to any item or items of Collateral.

SECTION 1.02. Terms Generally. 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” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument, other document, statute or regulation herein shall be construed as referring to such agreement, instrument, other document, statute or regulation as from time to time amended, supplemented or otherwise modified, (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, but shall not be deemed to include the subsidiaries of such Person unless express reference is made to such subsidiaries, (c) 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, (d) all references herein to Articles, Sections and Annexes shall be construed to refer to Articles, Sections and Annexes of this Agreement, (e) unless otherwise expressly qualified herein, the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights and (f) the term “or” is not exclusive.

ARTICLE II

Priorities and Agreements with Respect to Collateral

SECTION 2.01. Lien Subordination. Notwithstanding the date, time, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens granted to any Second Priority Representative or any Second Priority Debt Parties on the Collateral or of any Liens granted to the Senior Representative or any other Senior Secured Party on the Collateral (or any actual or alleged defect in any of the foregoing) or any defect or deficiencies in, or failure to perfect or lapse in perfection of, or avoidance as a fraudulent conveyance or otherwise and notwithstanding any provision of the UCC, any applicable law, any Second Priority Debt Document or any Senior Debt Document or any other circumstance whatsoever, the Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, hereby agrees that (a) any Lien on the Collateral securing any Senior Obligations now or hereafter held by or on behalf of the Senior Representative or any other Senior Secured Party or other agent or trustee therefor, regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall have priority over and be senior in all respects and prior to any Lien on the Collateral securing any Second Priority Debt Obligations and (b) any Lien on the Collateral securing any Second Priority Debt Obligations now or hereafter held by or on behalf of the Second Priority Representative, any Second Priority Debt Parties or any other agent or trustee therefor, regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Collateral securing any Senior Obligations. All Liens on the Collateral securing any

Senior Obligations shall be and remain senior in all respects and prior to all Liens on the Collateral securing any Second Priority Debt Obligations for all purposes, whether or not such Liens securing any Senior Obligations are subordinated to any Lien securing any other obligation of the Company, any Grantor or any other Person or otherwise subordinated, voided, avoided, invalidated or lapsed. For the avoidance of doubt, the subordination provided for in this Agreement is lien subordination only and the Second Priority Debt Obligations are not subordinated in right of payment to the Senior Obligations.

SECTION 2.02. Nature of Senior Secured Party Claims. The Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, acknowledges that (a) a portion of the Senior Obligations may be revolving in nature and that the amount thereof that may be outstanding at any time or from time to time may be increased or reduced and subsequently reborrowed, (b) the terms of the Senior Debt Documents and the Senior Obligations may be amended, supplemented or otherwise modified, and the Senior Obligations, or a portion thereof, may be Refinanced from time to time and (c) the aggregate amount of the Senior Obligations may be increased, in each case, without notice to or consent by the Second Priority Representative or the Second Priority Debt Parties and without affecting the provisions hereof. The Lien priorities provided for in Section 2.01 shall not be altered or otherwise affected by any amendment, supplement or other modification, or any Refinancing, of either the Senior Obligations or the Second Priority Debt Obligations, or any portion thereof. As between the Company and the other Grantors and the Second Priority Debt Parties or Senior Secured Parties, as the case may be, the foregoing provisions will not limit or otherwise affect the obligations of the Company and the Grantors contained in any Senior Debt Document or Second Priority Debt Document, as the case may be, with respect to the incurrence of additional Senior Obligations or Second Priority Debt, as the case may be.

SECTION 2.03. Prohibition on Contesting Liens. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the validity, extent, perfection, priority or enforceability of any Lien securing any Senior Obligations held (or purported to be held) by or on behalf of the Senior Representative or any of the other Senior Secured Parties or other agent or trustee therefor in any Collateral, and the Senior Representative, for itself and on behalf of each Senior Secured Party under the Senior Facility, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the validity, extent, perfection, priority or enforceability of any Lien securing any Second Priority Debt Obligations held (or purported to be held) by or on behalf of any Second Priority Representative or any of the Second Priority Debt Parties in the Second Priority Collateral. Notwithstanding the foregoing, no provision in this Agreement shall be construed to prevent or impair the rights of the Senior Representative to enforce this Agreement (including the priority of the Liens securing the Senior Obligations as provided in Section 2.01) or any of the Senior Debt Documents.

SECTION 2.04. No New Liens. The parties hereto agree that, so long as the Discharge of Senior Obligations has not occurred, (a) none of the Grantors shall grant or permit any additional Liens on any asset or property of any Grantor to secure any Second Priority Debt

Obligation unless it has granted, or concurrently therewith grants, a Lien on such asset or property of such Grantor to secure the Senior Obligations; (b) subject to Section 2.06, none of the Grantors shall grant or permit any additional Liens on any asset or property of any Grantor to secure any Senior Obligations unless it has granted, or concurrently therewith grants, a Lien on such asset or property of such Grantor to secure the Second Priority Debt Obligations; and (c) if any Second Priority Representative or any Second Priority Debt Party shall hold any Lien on any assets or property of any Grantor securing any Second Priority Debt Obligations that are not also subject to the first-priority Liens securing all Senior Obligations under the Senior Collateral Documents, such Second Priority Representative or Second Priority Debt Party (i) shall notify the Senior Representative promptly upon becoming aware thereof and, unless such Grantor shall promptly grant a similar Lien on such assets or property to the Senior Representative as security for the Senior Obligations, shall assign such Lien to the Senior Representative as security for all Senior Obligations for the benefit of the Senior Secured Parties (but may retain a junior lien on such assets or property subject to the terms hereof) and (ii) until such assignment or such grant of a similar Lien to the Senior Representative, shall be deemed to hold and have held such Lien for the benefit of the Senior Representative and the other Senior Secured Parties as security for the Senior Obligations.

To the extent that the foregoing provisions are not complied with for any reason, without limiting any other rights and remedies available to the Senior Representative and/or the Senior Secured Parties, the Representatives, on behalf of the Secured Parties of the Debt Facility for which it is acting, agrees that any amounts received by or distributed to any of them pursuant to or as a result of Liens granted in contravention of this Section 2.04 shall be treated in the same manner as set forth in Section 4.02.

SECTION 2.05. Perfection of Liens. Except for the limited agreements of the Senior Representative pursuant to Section 5.05 hereof, neither the Senior Representative nor the Senior Secured Parties shall be responsible for perfecting and maintaining the perfection of Liens with respect to the Collateral for the benefit of the Second Priority Representative or the Second Priority Debt Parties. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the Senior Secured Parties and the Second Priority Debt Parties and shall not impose on the Senior Representative, the Senior Secured Parties, the Second Priority Representative, the Second Priority Debt Parties or any agent or trustee therefor any obligations in respect of the disposition of Proceeds of any Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or governmental authority or any applicable law.

SECTION 2.06. Certain Cash Collateral. Notwithstanding anything in this Agreement or any other Senior Debt Documents or Second Priority Debt Documents to the contrary, collateral consisting of cash and cash equivalents pledged to secure Senior Obligations consisting of reimbursement obligations in respect of Letters of Credit or otherwise held by the Senior Representative pursuant to Section 2.08(j) of the Senior Credit Agreement as in effect on the date hereof (or any successor provision in any Senior Debt Document in respect of any Refinancing of the Senior Credit Agreement with equivalent terms and requirements) shall be applied as specified in the Senior Credit Agreement and will not constitute Collateral.

SECTION 2.07. Similar Liens and Agreements. Except as provided in Section 2.06, the Representatives, on behalf of the Secured Parties of the Debt Facility for which it is acting, agree that it is their intention that the Collateral securing each Debt Facility be identical. In furtherance of the foregoing and of Section 8.11, the parties hereto agree, subject to the other provisions of this Agreement:

(a) upon request by the Senior Representative or the Second Priority Representative, to cooperate in good faith from time to time in order to determine the specific items included in the Collateral and the steps taken to perfect their respective Liens thereon and the identity of the respective parties obligated under the Senior Loan Documents and the Second Priority Loan Documents; and

(b) that the documents and agreements creating or evidencing the Collateral and guarantees for the Senior Obligations and the Second Priority Obligations, subject to Section 5.03, shall be in all material respects the same forms of documents other than with respect to the first lien and the second lien nature of the Obligations thereunder.

ARTICLE III

Enforcement

SECTION 3.01. Exercise of Remedies.

(a) So long as the Discharge of Senior Obligations has not occurred, whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor,

(i) neither the Second Priority Representative nor any Second Priority Debt Party will (A) exercise or seek to exercise any rights or remedies (including setoff or recoupment) with respect to any Collateral in respect of any Second Priority Debt Obligations, or institute any action or proceeding with respect to such rights or remedies (including any action of foreclosure); provided, that, subject to extension as a result of any Permitted Delay, the Second Priority Representative may exercise any or all such rights (but not rights the exercise of which is otherwise prohibited by this Agreement including Article VI hereof) after a period (such period, as extended as a result of any Permitted Delay, the “Standstill Period”) of 180 consecutive days has elapsed from the date of delivery of written notice from the Second Priority Representative to the Senior Representative stating that (1) an Event of Default (as defined under the Second Priority Debt Documents) has occurred and is continuing thereunder and (2) the Second Priority Debt Obligations are currently due and payable in full (whether as a result of acceleration thereof or otherwise) in accordance with the terms of the Second Priority Debt Documents, (B) except to the extent not prohibited herein, contest, protest or object to any foreclosure proceeding or action brought with respect to the Collateral by the Senior Representative or any Senior Secured Party in respect of the Senior Obligations, the exercise of any right by the Senior Representative or any Senior Secured Party (or any agent or sub-agent on their behalf) in respect of the Senior Obligations under any lockbox agreement, control agreement, landlord waiver or bailee’s letter or similar agreement or arrangement to which

the Senior Representative or any Senior Secured Party either is a party or may have rights as a third party beneficiary, or any other exercise by any such party of any rights and remedies relating to the Collateral under the Senior Debt Documents or otherwise in respect of the Senior Obligations, (C) object to the forbearance by the Senior Secured Parties from bringing or pursuing any foreclosure proceeding or action during the Standstill Period or any other exercise of any rights or remedies relating to the Collateral in respect of Senior Obligations or (D) credit bid (it being understood, for the avoidance of doubt, that a credit bid which includes a cash portion sufficient to cause a Discharge of Senior Obligations will not be precluded); provided further, after the expiration of the Standstill Period, so long as neither the Senior Representative nor any of the Senior Secured Parties have commenced any action to enforce their Lien on any material portion of the Collateral and any acceleration of the Second Priority Debt Obligations has not been rescinded, in the event that and for so long as the Second Priority Debt Parties (or the Second Priority Representative on their behalf) have commenced actions to enforce their Lien with respect to all or any material portion of the Collateral to the extent permitted hereunder and are diligently pursuing such actions (it being understood that this proviso shall not constitute a waiver by the Senior Representative or the Senior Secured Parties of the provisions of Article VI), neither the Senior Secured Parties nor the Senior Representative shall take any action of a similar nature with respect to such Collateral so long as the other provisions of this Agreement (including the turnover provisions of Article VI) are complied with; and provided further that (x) the Standstill Period shall be tolled for so long as any automatic stay or any other stay or other order prohibiting the exercise of remedies by the Senior Representative or the Senior Secured Parties with respect to the Collateral is in effect by operation of law or has been entered into by a court of competent jurisdiction and (y) the period set forth in the immediately preceding proviso shall be tolled for so long as any automatic stay or any other stay or other order prohibiting the exercise of remedies by the Second Priority Representative or the Second Priority Secured Parties with respect to the Collateral is in effect by operation of law or has been entered into by a court of competent jurisdiction, and

(ii) except as otherwise provided herein, the Senior Representative and the Senior Secured Parties shall have the exclusive right to enforce rights, exercise remedies (including setoff, recoupment and the right to credit bid their debt, except that the Second Priority Debt Parties shall have the credit bidding rights set forth in Section 3.01(a)(i)(D)) and, in that connection, subject to Section 5.01, to make determinations regarding the release, disposition or restrictions with respect to the Collateral without any consultation with or the consent of any Second Priority Representative or any Second Priority Debt Party; provided, however, that (A) in any Insolvency or Liquidation Proceeding commenced by or against the Company or any other Grantor, any Second Priority Representative may file a claim, proof of claim, or statement of interest with respect to the Second Priority Debt Obligations under the Second Priority Debt Facility, (B) any Second Priority Representative may take any action (not adverse to the prior Liens on the Collateral securing the Senior Obligations or the rights of the Senior Representative or the Senior Secured Parties to exercise remedies in respect thereof) in order to create, prove, perfect, preserve or protect (but not enforce) its rights in, and perfection and priority of its Lien on, the Collateral, (C) the Second Priority Representative and the Second Priority Debt Parties may exercise their rights and remedies as unsecured creditors to the extent provided in

Section 5.04, (D) the Second Priority Representative may exercise the rights and remedies provided for in Article VI, (E) in any Insolvency or Liquidation Proceeding, any Second Priority Debt Party may file any necessary or appropriate responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person objecting to or otherwise seeking the disallowance of the claims or Liens of the Second Priority Debt Parties, including any claims secured by the Collateral, if any, in each case in accordance with the terms of this Agreement, (F) in any Insolvency or Liquidation Proceeding, the Second Priority Debt Parties may vote on any plan of reorganization, but only to the extent consistent with the provisions hereof, and (G) the Second Priority Representative and the Second Priority Debt Parties may exercise any of their rights or remedies with respect to the Collateral after the termination of the Standstill Period to the extent permitted by Section 3.01(a)(i). In exercising rights and remedies with respect to the Collateral, the Senior Representative and the Senior Secured Parties may enforce the provisions of the Senior Debt Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Collateral upon foreclosure, to incur expenses in connection with such sale or disposition and to exercise all the rights and remedies of a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction.

(b) Until the expiration of the Standstill Period and subject to Sections 4.01 and 4.02, the Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, agrees that it will not, in the context of its role as secured creditor, take or receive any Collateral or any Proceeds of Collateral in connection with the exercise of any right or remedy (including setoff and recoupment) with respect to any Collateral in respect of Second Priority Debt Obligations until after the Discharge of Senior Obligations has occurred, except in connection with any foreclosure expressly permitted by Section 3.01(a)(i), but then only to the extent the Second Priority Representative and Second Priority Debt Parties are permitted to retain the proceeds thereof in accordance with Section 4.01). Without limiting the generality of the foregoing, unless and until the expiration of the Standstill Period has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.01(a) and Section 6.03, the sole right of the Second Priority Representative and the Second Priority Debt Parties with respect to the Collateral is to hold a Lien on the Collateral in respect of Second Priority Debt Obligations pursuant to the Second Priority Debt Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of Senior Obligations has occurred.

(c) Subject to the proviso in clause (ii) of Section 3.01(a) and Section 6.03, (i) the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that neither such Second Priority Representative nor any such Second Priority Debt Party will take any action that would hinder any exercise of remedies undertaken by the Senior Representative or any Senior Secured Party with respect to the Collateral under the Senior Debt Documents, including any sale, lease, exchange, transfer or other disposition of the Collateral, whether by foreclosure or otherwise, and (ii) the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby waives any and all rights it or any such Second Priority Debt Party

may have as a junior lien creditor or otherwise to object to the manner in which the Senior Representative or the Senior Secured Parties seek to enforce or collect the Senior Obligations or the Liens granted on any of the Collateral, regardless of whether any action or failure to act by or on behalf of the Senior Representative or any other Senior Secured Party is adverse to the interests of the Second Priority Debt Parties.

(d) Until the expiration of the Standstill Period, the Senior Representative shall have the exclusive right to exercise any right or remedy with respect to the Collateral and shall have the exclusive right to determine and direct the time, method and place for exercising such right or remedy or conducting any proceeding with respect thereto. Following the Discharge of Senior Obligations, the Second Priority Representative shall have the exclusive right to exercise any right or remedy with respect to the Collateral, and the Second Priority Representative shall have the exclusive right to direct the time, method and place of exercising or conducting any proceeding for the exercise of any right or remedy available to the Second Priority Debt Parties with respect to the Collateral, or of exercising or directing the exercise of any trust or power conferred on the Second Priority Representative, or for the taking of any other action authorized by the Second Priority Collateral Documents.

SECTION 3.02. Cooperation. Subject to the proviso in clause (ii) of Section 3.01(a), the Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, agrees that, unless and until the Discharge of Senior Obligations or both the expiration of the Standstill Period (as such Standstill Period may be extended or tolled as expressly provided in this Agreement), and the date, if any, that neither the Senior Representative nor any of the Senior Secured Parties has commenced or, if commenced, is diligently pursuing any action to enforce their Lien on any material portion of the Collateral or exercising any other right or remedy with respect to the Collateral or the Senior Obligations has occurred, it will not commence, or join with any Person (other than the Senior Secured Parties and the Senior Representative upon the request of the Senior Representative) in commencing, any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it in the Collateral under any of the Second Priority Debt Documents or otherwise in respect of the Second Priority Debt Obligations.

SECTION 3.03. Actions upon Breach. Should any Second Priority Representative or any Second Priority Debt Party, any Senior Representative or any Senior Secured Party, contrary to this Agreement, in any way take, attempt to take or threaten to take any action with respect to the Collateral (including any attempt to realize upon or enforce any remedy with respect to this Agreement) or fail to take any action required by this Agreement, the Senior Representative or other Senior Secured Party or the Second Priority Representative or other Second Priority Debt Party, as applicable (in its or their own name or in the name of the Company or any other Grantor), may obtain relief against such Second Priority Representative or such Second Priority Debt Party or such Senior Representative or such Senior Secured Party, as applicable, by injunction, specific performance or other appropriate equitable relief. The Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, and the Senior Representative, on behalf of itself and each Senior Secured Party under the Senior Facility, hereby agrees that the Senior Secured Parties' damages from the actions of the Second Priority Representative or any Second Priority Debt Party or the Second Priority Debt Parties' damages from the actions of the Senior Representative or any Senior Secured

Party, as applicable, may at that time be difficult to ascertain and may be irreparable and waives any defense that the Company, any other Grantor, the Senior Secured Parties or the Second Priority Debt Parties, as applicable, cannot demonstrate damage or be made whole by the awarding of damages. Each Representative may demand specific performance of this Agreement. Each Representative, on behalf of itself and on behalf of the Secured Parties of the Debt Facility for which it is acting, hereby irrevocably waive any defense based on the adequacy of a remedy at law and any other defense which might be asserted to bar the remedy of specific performance in any action which may be brought by a Representative or any Secured Party. No provision of this Agreement shall constitute or be deemed to constitute a waiver by a Representative, on behalf of itself and on behalf of the Secured Parties of the Debt Facility for which it is acting, of any right to seek damages from any Person in connection with any breach or alleged breach of this Agreement.

ARTICLE IV

Payments

SECTION 4.01. Application of Proceeds. Prior to the Discharge of Senior Obligations, and regardless of whether an Insolvency or Liquidation Proceeding has been commenced, Collateral or proceeds received in connection with the enforcement or exercise of any rights or remedies with respect to any portion of the Collateral will be applied:

first, to the payment in full in cash of all Senior Obligations that are not Excess Senior Obligations,

second, to the payment in full in cash of all Second Priority Debt Obligations,

third, to the payment in full in cash of all Excess Senior Obligations, and

fourth, to the Company or as otherwise required by applicable law

SECTION 4.02. Payments Over. Unless and until the Discharge of Senior Obligations has occurred, and subject to the terms of Section 6.10, any Collateral or Proceeds thereof received by any Second Priority Representative or any Second Priority Debt Party in connection with the exercise of any right or remedy (including setoff or recoupment) relating to the Collateral shall be segregated and held in trust for the benefit of and promptly paid over to the Senior Representative for the benefit of the Senior Secured Parties in the same form as received, with any necessary endorsements, or as a court of competent jurisdiction may otherwise direct. The Senior Representative is hereby authorized to make any such endorsements as agent for each of the Second Priority Debt Parties. This authorization is coupled with an interest and is irrevocable.

ARTICLE V

Other Agreements

SECTION 5.01. Releases.

(a) The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that, in the event of a sale, transfer or other disposition of any specified item of Collateral (including all or substantially all of the equity interests of any subsidiary of the Company) in connection with (i) the exercise of remedies in respect of Collateral or (ii) any sale, transfer or other disposition that is permitted under the Second Priority Debt Documents as in effect on the date hereof or subsequently permitted thereunder, the Liens granted to the Second Priority Representative and the Second Priority Debt Parties upon such Collateral to secure Second Priority Debt Obligations shall terminate and be released, automatically and without any further action, concurrently with the termination and release of all Liens granted upon such Collateral to secure Senior Obligations; provided that the Liens securing the Senior Obligations and the Second Priority Debt Obligations will attach to the Proceeds of the sale on the same basis of priority as the Liens on the Collateral securing the Senior Obligations rank to the Liens on the Collateral securing the Second Priority Debt Obligations pursuant to this Agreement. Upon notice from the Senior Representative to a Second Priority Representative (with respect to any termination and release of Liens pursuant to clause (i) of the preceding sentence) or delivery to a Second Priority Representative of an Officer's Certificate (with respect to any termination and release of Liens pursuant to clause (ii) of the preceding sentence) stating that any such termination and release of Liens securing the Senior Obligations has become effective (or shall become effective concurrently with such termination and release of the Liens granted to the Second Priority Debt Parties and the Second Priority Representative) and any necessary or proper instruments of termination or release prepared by the Company or any other Grantor, such Second Priority Representative will promptly execute, deliver or acknowledge, at the Company's or the other Grantor's sole cost and expense, such termination statements, mortgage releases, instruments and other agreements that the Senior Representative or the Company or such Guarantor may reasonably request to evidence such termination and release of such Liens. Nothing in this Section 5.01(a) will be deemed to affect any agreement of a Second Priority Representative, for itself and on behalf of the Second Priority Debt Parties under the Second Priority Debt Facility, to release the Liens on the Collateral as set forth in the relevant Second Priority Debt Documents.

(b) Until the Discharge of the Senior Obligations, the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby irrevocably constitutes and appoints the Senior Representative and any officer or agent of the Senior Representative, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Second Priority Representative or such Second Priority Debt Party or in the Senior Representative's own name, from time to time in the Senior Representative's discretion, for the purpose of carrying out the terms of Section 5.01(a), to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of Section 5.01(a), including any termination statements, endorsements or other instruments of transfer or release.

(c) Notwithstanding anything to the contrary in any Second Priority Collateral Document, in the event the terms of a Senior Collateral Document and a Second Priority Collateral Document each require any Grantor (i) to make payment in respect of any item of Collateral to, (ii) to deliver or afford control over (to the extent only one party can have control of such Collateral) any item of Collateral to, or deposit any item of Collateral with, (iii) to register

ownership of any item of Collateral in the name of or make an assignment of ownership of any Collateral or the rights thereunder, and (iv) to hold any item of Collateral in trust for (to the extent such item of Collateral cannot be held in trust for multiple parties under applicable law), in favor of, in any case, both the Senior Representative and any Second Priority Representative or Second Priority Debt Party, such Grantor may, until the Discharge of Senior Obligations has occurred, comply with such requirement under the Second Priority Collateral Document as it relates to such Collateral by taking any of the actions set forth above only with respect to, or in favor of, the Senior Representative.

SECTION 5.02. Insurance and Condemnation Awards. Unless and until the Discharge of Senior Obligations has occurred, the Senior Representative and the Senior Secured Parties shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Debt Documents, (a) to adjust settlement for any insurance policy covering the Collateral in the event of any loss thereunder and (b) to approve any award granted in any condemnation or similar proceeding affecting the Collateral. Unless and until the Discharge of Senior Obligations has occurred, all Proceeds of any such policy and any such award, if in respect of the Collateral, shall be applied in accordance with Section 4.01. If any Second Priority Representative or any Second Priority Debt Party shall, at any time, receive any Proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such Proceeds over to the Senior Representative in accordance with the terms of Section 4.02.

SECTION 5.03. Amendments to Senior Collateral Documents and Second Priority Collateral Documents.

(a) No Second Priority Collateral Document with respect to the Collateral may be amended, supplemented or otherwise modified or entered into, or the non-compliance from the terms thereof be consented to or waived, to the extent such amendment, supplement, consent, waiver or modification, or the terms of any new Second Priority Collateral Document, would be prohibited by or inconsistent with any of the terms of this Agreement. The Company agrees to promptly (and in any event within 3 Business Days thereof) deliver to the Senior Representative copies of (i) any amendments, supplements or other modifications to the Second Priority Collateral Documents and (ii) any new Second Priority Collateral Documents promptly after effectiveness thereof. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that each Second Priority Collateral Document with respect to the Collateral under the Second Priority Debt Facility shall include the following language (or language to similar effect reasonably approved by the Senior Representative):

“Notwithstanding anything herein to the contrary, (a) the liens and security interests granted to the Second Priority Representative pursuant to this Agreement are expressly subject and subordinate to the liens and security interests granted in favor of the Senior Secured Parties (as defined in the Intercreditor Agreement referred to below), including liens and security interests granted to Natixis, New York Branch, as administrative agent, pursuant to or in connection with the Credit Agreement, dated as of April 23, 2018 (as amended, restated, supplemented, replaced or otherwise modified from time to time), among the Company, the banks, financial institutions and other lending institutions from time to time parties as lenders

thereto and Natixis, New York Branch, as administrative agent, and (b) the exercise of any right or remedy by Morgan Stanley Energy Capital Inc., as Second Priority Representative, hereunder is subject to the limitations and provisions of the Intercreditor Agreement dated as of April 23, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among Natixis, New York Branch, as Senior Representative, Morgan Stanley Energy Capital Inc., as Second Priority Representative, the Company and its subsidiaries and affiliated entities party thereto. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of the Intercreditor Agreement shall govern.”

(b) In the event that the Senior Representative or the Senior Secured Parties enter into any amendment, waiver or consent in respect of any of the Senior Collateral Documents for the purpose of adding to or deleting from, or waiving or consenting to any departures from any provisions of, any Senior Collateral Document or changing in any manner the rights of the Senior Representative, the Senior Secured Parties, the Company or any other Grantor thereunder (including the release of any Liens in Collateral), then such amendment, waiver or consent shall apply automatically to any comparable provision of each comparable Second Priority Collateral Document without the consent of any Second Priority Representative or any Second Priority Debt Party and without any action by any Second Priority Representative, the Company or any other Grantor; provided, however, that (i) no such amendment, waiver or consent shall have the effect of (A) removing assets subject to the Lien of the Second Priority Collateral Documents, except to the extent that a release of such Lien is permitted under Section 5.01(a) and provided that there is a corresponding release of the Lien securing the Senior Obligations, (B) imposing duties on the Second Priority Representative without its consent, (C) altering the terms of the Second Priority Debt Documents to permit other Liens on the Collateral not permitted under the terms of the Second Priority Debt Documents as in effect on the date hereof or Article VI hereof, (D) being prejudicial to the interests of the Second Priority Debt Parties to a greater extent than the Senior Secured Parties (other than by virtue of their relative priority and the rights and obligations hereunder) or (E) otherwise amending or waiving any provision with respect to any right or remedy of the Second Priority Representative or any Second Priority Debt Party as set forth in the Second Priority Debt Documents and (ii) written notice of such amendment, waiver or consent shall have been given by the Company to the Second Priority Representative within ten (10) Business Days after the effectiveness of such amendment, waiver or consent. The Company agrees to deliver to the Second Priority Representative copies of (1) any amendments, supplements or other modifications to the Senior Collateral Documents with respect to the Collateral and (2) any new Senior Collateral Documents with respect to the Collateral promptly (but in no event more than 3 Business Days) after effectiveness thereof.

(c) The Senior Loan Documents may be amended, supplemented or otherwise modified and any non-compliance with their terms consented to or waived in accordance with their terms and the Senior Credit Agreement may be Refinanced, in each case, without notice to, or the consent of the Second Priority Representative or the Second Priority Debt Parties, all without affecting the Lien subordination or other provisions of this Agreement; provided that the holders of such Refinancing debt bind themselves in a writing addressed to the Second Priority Representative and the Second Priority Debt Parties to the terms of this Agreement and any such

amendment, supplement, modification, consent, waiver or Refinancing shall not, without the consent of the Second Priority Representative:

(i) increase (A) the “Applicable Margin” or similar component of the interest rate or yield provisions applicable to the Senior Debt Facility, or a letter of credit, commitment, facility, utilization, upfront, original issue discount or similar fee so that the combined interest rate and fees are increased by more than 2.00% per annum in the aggregate at any level of pricing, but excluding increases resulting from (x) application of the pricing grid set forth in the Senior Credit Agreement as in effect on the date hereof or (y) the accrual of interest at the default rate, or (B) the default rate of interest (including by changing the conditions to the application thereof);

(ii) modify a covenant or event of default that directly restricts one or more Grantors from making payments under the Second Priority Loan Documents that would otherwise not be prohibited under the Senior Loan Documents as in effect on the date hereof;

(iii) subordinate any Lien on any of the Collateral securing the Senior Obligations or subordinate in right of payment any of the Senior Obligations; or

(iv) extend the maturity of the Senior Obligations beyond the maturity of the Second Priority Debt Obligations.

(d) The Second Priority Debt Documents may be amended, supplemented, waived or otherwise modified in accordance with their terms and the Second Priority Credit Agreement may be Refinanced, in each case, without notice to, or the consent of the Senior Representative or the Senior Secured Parties, all without affecting the Lien subordination or other provisions of this Agreement; provided that the holders of such Refinancing debt bind themselves in a writing addressed to the Senior Representative and the Senior Secured Parties to the terms of this Agreement and any such amendment, supplement, modification, waiver or Refinancing shall not, without the consent of the Senior Representative:

(i) increase (A) the “Applicable Margin” or similar component of the interest rate or yield provisions, or any commitment, facility, utilization, upfront, original issue discount or similar fee applicable to the Second Priority Debt Facility so that the combined interest rate and fees are increased by more than 2.00% per annum in the aggregate thereunder (excluding increases resulting from the accrual of interest at the default rate), or (B) the default rate of interest (including by changing the conditions to the application thereof);

(ii) result in the aggregate outstanding principal amount (including reimbursement obligations) of loans under the Second Priority Debt Documents to exceed \$250,000,000 plus interest (including interest accruing, including at any post-default rate, during the pendency of an Insolvency or Liquidation Proceeding, regardless of whether allowed or allowable in such Insolvency or Liquidation Proceeding), premium (if any), make-whole obligations, fees, indemnifications, reimbursements, expenses and other liabilities payable under the Second Priority Debt Documents or any Refinancing thereof;

(iii) change to earlier dates any scheduled dates for payment of principal or of interest on the Second Priority Debt Obligations, or change the redemption, prepayment, repurchase, tender or defeasance provisions set forth in the Second Priority Debt Documents in a manner that would require a redemption, prepayment, repurchase, tender or defeasance not required pursuant to the terms of the Second Priority Debt Documents as of the date hereof (including any increases to the prepayment premiums required in connection therewith); or

(iv) modifies covenants, defaults, or events of default to make them materially more restrictive than in existence on the date hereof as to any Grantor.

SECTION 5.04. Rights as Unsecured Creditors. Notwithstanding anything to the contrary in this Agreement, during an Event of Default (as defined under the Second Priority Debt Documents), the Second Priority Representative and the Second Priority Debt Parties may exercise rights and remedies as unsecured creditors against the Company and any other Grantor in accordance with the terms of the Second Priority Debt Documents and applicable law (other than initiating or joining any involuntary case or proceeding under the Bankruptcy Code not initiated by the Senior Representative) so long as such rights and remedies do not violate any express provision of this Agreement. Nothing in this Agreement shall prohibit the receipt by any Second Priority Representative or any Second Priority Debt Party of the required payments of principal, premium, interest, fees and other amounts due under the Second Priority Debt Documents so long as such receipt is not the direct or indirect result of the exercise by a Second Priority Representative or any Second Priority Debt Party of rights or remedies as a secured creditor in respect of Collateral. In the event any Second Priority Representative or any Second Priority Debt Party becomes a judgment lien creditor in respect of Collateral as a result of its enforcement of its rights as an unsecured creditor in respect of Second Priority Debt Obligations, such judgment lien shall be subordinated to the Liens securing Senior Obligations on the same basis as the other Liens securing the Second Priority Debt Obligations are so subordinated to such Liens securing Senior Obligations under this Agreement.

SECTION 5.05. Gratuitous Bailee for Perfection.

(a) The Senior Representative acknowledges and agrees that if it shall at any time hold a Lien securing any Senior Obligations on any Collateral that can be perfected by the possession or control of such Collateral or of any account in which such Collateral is held, and if such Collateral or any such account is in fact in the possession or under the control of the Senior Representative, or of agents or bailees of such Person (such Collateral being referred to herein as the “Pledged or Controlled Collateral”), or if it shall any time obtain any landlord waiver or bailee’s letter or any similar agreement or arrangement granting it rights or access to Collateral, the Senior Representative shall also hold such Pledged or Controlled Collateral, or take such actions with respect to such landlord waiver, bailee’s letter or similar agreement or arrangement, as sub-agent or gratuitous bailee for the relevant Second Priority Representative, in each case solely for the purpose of perfecting the Liens granted under the relevant Second Priority Collateral Documents and subject to the terms and conditions of this Section 5.05.

(b) The rights of the Second Priority Representative and the Second Priority Debt Parties with respect to the Pledged or Controlled Collateral shall at all times be subject to the terms of this Agreement.

(c) The Senior Representative and the Senior Secured Parties shall have no obligation whatsoever to the Second Priority Representative or any Second Priority Debt Party to assure that any of the Pledged or Controlled Collateral is genuine or owned by the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Collateral, except as expressly set forth in this Section 5.05. The duties or responsibilities of the Senior Representative under this Section 5.05 shall be limited solely to holding or controlling the Collateral and the related Liens referred to in paragraphs (a) and (b) of this Section 5.05 as sub-agent and gratuitous bailee for the relevant Second Priority Representative for purposes of perfecting the Lien held by such Second Priority Representative.

(d) The Senior Representative shall not have by reason of the Second Priority Collateral Documents or this Agreement, or any other document, a fiduciary relationship in respect of any Second Priority Representative or any Second Priority Debt Party, and the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby waives and releases the Senior Representative and the Senior Secured Parties from all claims and liabilities arising pursuant to the Senior Representative's roles under this Section 5.05 as sub-agent and gratuitous bailee with respect to the Collateral.

(e) Following the Discharge of Senior Obligations, the Senior Representative shall, at the Grantors' sole cost and expense, upon request (i) (A) deliver to the Second Priority Representative, to the extent that it is legally permitted to do so, all Collateral, including all Proceeds thereof, held or controlled by the Senior Representative or any of its agents or bailees, including the transfer of possession and control, as applicable, of the Pledged or Controlled Collateral, together with any necessary endorsements and notices to depositary banks, securities intermediaries and commodities intermediaries, and assign its rights under any landlord waiver or bailee's letter or any similar agreement or arrangement granting it rights or access to Collateral, or (B) direct and deliver such Collateral as a court of competent jurisdiction may otherwise direct, (ii) notify any applicable insurance carrier that it is no longer entitled to be a loss payee or additional insured under the insurance policies of any Grantor issued by such insurance carrier and (iii) notify any governmental authority involved in any condemnation or similar proceeding involving any Grantor that the Second Priority Representative is entitled to approve any awards granted in such proceeding. The Company and the other Grantors shall take such further action at their expense as is required to effectuate the transfer contemplated hereby and shall indemnify the Senior Representative for loss or damage suffered by the Senior Representative as a result of such transfer, except for loss or damage suffered by any such Person as a result of its own willful misconduct, gross negligence or bad faith. The Senior Representative has no obligations to follow instructions from any Second Priority Representative or any other Second Priority Debt Party in contravention of this Agreement.

(f) Neither the Senior Representative nor any of the other Senior Secured Parties shall be required to marshal any present or future collateral security for any obligations of the Company or any Grantor to the Senior Representative or any Senior Secured Party under the Senior Debt Documents or any assurance of payment in respect thereof, or to resort to such

collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security or any assurance of payment in respect thereof shall be cumulative and in addition to all other rights, however existing or arising.

SECTION 5.06. When Discharge of Senior Obligations Deemed To Not Have Occurred. If, at any time after the Discharge of Senior Obligations has occurred, the Company or any Subsidiary substantially concurrently enters into any Refinancing of any Senior Obligations (other than in respect of the payment of indemnities surviving the Discharge of Senior Obligations), then such Discharge of Senior Obligations shall automatically be deemed not to have occurred for all purposes of this Agreement (other than with respect to any actions taken prior to the date of such designation as a result of the occurrence of such first Discharge of Senior Obligations) and, from and after the date on which the New Senior Debt Notice is delivered to the Second Priority Representative in accordance with the next sentence, the obligations under such Refinancing of the Senior Loan Documents shall automatically be treated as Senior Obligations for all purposes of this Agreement, the applicable agreement governing such Senior Obligations shall automatically be treated as a Senior Debt Document for all purposes of this Agreement, including for purposes of the Lien priorities and rights in respect of Collateral set forth herein and the agent, representative or trustee for the holders of such Senior Obligations shall be the Senior Representative for all purposes of this Agreement. Upon receipt of notice (the “New Senior Debt Notice”) of such incurrence (including the identity of the new Senior Representative), the Second Priority Representative (including the Second Priority Representative) shall promptly upon request (a) enter into such documents and agreements (at the expense of the Company), including amendments or supplements to this Agreement, as the Company or such new Senior Representative shall reasonably request in writing in order to provide the new Senior Representative the rights of the Senior Representative contemplated hereby, in each case consistent in all material respects with the terms of this Agreement, (b) deliver to the Senior Representative, to the extent that it is legally permitted to do so, all Collateral, including all Proceeds thereof, held or controlled by such Second Priority Representative or any of its agents or bailees, including the transfer of possession and control, as applicable, of the Pledged or Controlled Collateral, together with any necessary endorsements and notices to depositary banks, securities intermediaries and commodities intermediaries, and agree to amendments to any landlord waiver or bailee’s letter or any similar agreement or arrangement granting it rights or access to Collateral, (c) notify any applicable insurance carrier that it is no longer entitled to be a sole loss payee or additional insured under the insurance policies of any Grantor issued by such insurance carrier and (d) notify any governmental authority involved in any condemnation or similar proceeding involving a Grantor that the new Senior Representative is entitled to approve any awards granted in such proceeding. The new Senior Representative shall agree in writing addressed to the Second Priority Representative and the Second Priority Debt Parties to be bound by the terms of this Agreement.

SECTION 5.07. Option to Repurchase.

(a) Without prejudice to the enforcement of the Senior Secured Parties’ remedies, the Senior Secured Parties agree at any time following (i) an acceleration of the Senior Obligations in accordance with the terms of the Senior Credit Agreement, (ii) the commencement of an Insolvency or Liquidation Proceeding involving the Company as debtor or (iii) the occurrence of any “event of default” (as defined in the Senior Debt Documents) or the occurrence of any “default” (as defined in the Senior Debt Documents) based on the non-payment of principal

or interest under any Senior Debt Document (and such payment default shall continue unremedied for a period of 5 Business Days, the Senior Secured Parties will be deemed to have automatically offered the Second Priority Debt Parties the option to purchase (the "Purchase") at par/face amount the entire aggregate amount of outstanding Senior Obligations (which includes principal, interest, fees, breakage costs, attorneys' fees and expenses, and, in the case of any Swap Agreements, on a per Secured Swap Provider basis, unless the parties to any such Swap Agreement have agreed to other satisfactory arrangements with respect thereto, the positive amount that is payable by the Company or relevant Guarantor thereunder reflecting any unpaid amount then due or amount owing in connection with the termination (or early termination) on or prior to the date of the Purchase after giving effect to offset and netting arrangements in respect of such Secured Swap Provider, but which excludes any rights of the Senior Secured Parties with respect to indemnification and other obligations of the Company and Guarantors under the Senior Debt Documents that are expressly stated to survive the termination of the Senior Debt Documents). For avoidance of doubt, Senior Obligations not purchased will continue to constitute Senior Obligations hereunder and shall be secured in the same manner and subject to the same protections hereunder as existed immediately prior to the Purchase. The Purchase shall be made without warranty or representation or recourse, on a pro rata basis across Senior Secured Parties.

(b) In connection with the exercise of such option, the purchasing Second Priority Debt Parties shall furnish cash collateral to any relevant Senior Secured Party as it reasonably deems necessary to secure any such Senior Secured Party's outstanding Letters of Credit (not to exceed 105% of the face amount of the aggregate undrawn face amount of such Letters of Credit).

(c) The Second Priority Debt Parties shall irrevocably accept or reject such offer within thirty (30) calendar days following receipt of written notice from the Senior Representative that any of the events described in Sections 5.07(a)(i) through (iii), as applicable, has occurred, and the parties shall endeavor to close promptly thereafter, but in no event later than sixty (60) calendar days after receipt of such written notice. If the Second Priority Debt Parties accept such offer, it shall be exercised pursuant to documentation mutually acceptable to the Senior Representative and the Second Priority Representative. If the Second Priority Debt Parties reject such offer (or do not so irrevocably accept such offer within the required timeframe), the Senior Secured Parties shall have no further obligations pursuant to this Section 5.07 and may take any further actions in their sole discretion in accordance with the Senior Debt Documents and this Agreement.

(d) Such purchase of the Senior Obligations shall be made on a pro rata basis among the Second Priority Debt Parties giving notice to the Second Priority Representative of their interest to exercise the purchase option hereunder according to each such Second Priority Debt Party's portion of the principal amount of the loans under the Second Priority Credit Agreement outstanding on the date of purchase (as ratably adjusted in case less than all Second Priority Debt Parties elect to participate in such purchase).

SECTION 5.08. Role of Senior Representative. Upon an event of default under any Senior Debt Document and receipt of Collateral or Proceeds thereof in connection with the sale or other disposition of, or collection on, such Collateral upon the exercise of remedies by the Senior Secured Parties in an amount equal to the Senior Obligations (other than any Excess Senior

Obligations), the Second Priority Representative shall assume the roles hereunder of the Senior Representative and all receipts of Collateral or Proceeds shall thereafter be applied to the Second Priority Debt up to an amount equal to the Second Priority Debt Obligations at which time the Senior Representative shall reassume such roles until the amount of Secured Obligations in excess of the Cap Amount is paid in full.

ARTICLE VI

Insolvency or Liquidation Proceedings.

SECTION 6.01. Financing Issues. Until the Discharge of Senior Obligations has occurred, if the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Senior Representative or any Senior Secured Party shall desire to consent (or not object) to the sale, use or lease of cash collateral or to consent (or not object) to the Company's or any other Grantor's obtaining financing under Section 363 or Section 364 of The Bankruptcy Code or any similar provision of any other Bankruptcy Law ("DIP Financing"), then the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that (except to the extent permitted by this Section 6.01 and so long as such DIP Financing is in an amount that does not exceed the greater of (A) \$20,000,000 and (B) 20% of the aggregate principal amount of Loans and drawn Letters of Credit and the face amount of undrawn Letters of Credit outstanding under the Senior Credit Agreement on the date of the commencement of such Insolvency or Liquidation Proceeding but excluding any Excess Senior Obligations (the "DIP Cap")), it will raise no: (a) objection to and will not otherwise contest such sale, use or lease of such cash collateral or such DIP Financing and, except to the extent permitted by the proviso in clause (ii) of Section 3.01(a), this Section 6.01, and Section 6.03, will not request adequate protection or any other relief in connection therewith and, to the extent the Liens securing any Senior Obligations are subordinated or pari passu with such DIP Financing, will subordinate (and will be deemed hereunder to have subordinated) its Liens in the Collateral to (i) such DIP Financing (and all obligations relating thereto) on the same basis as the Liens securing the Second Priority Debt Obligations are so subordinated to Liens securing Senior Obligations under this Agreement, (ii) any adequate protection Liens provided to the Senior Secured Parties, and (iii) to any "carve-out" for professional and United States Trustee fees agreed to by the Senior Representative; (b) objection to (and will not otherwise contest) any motion for relief from the automatic stay or from any injunction against foreclosure or enforcement in respect of Senior Obligations and the Collateral made by the Senior Representative or any other Senior Secured Party; (c) objection to (and will not otherwise contest) any lawful exercise by any Senior Secured Party of the right to credit bid Senior Obligations at any sale in foreclosure of Collateral or to exercise any rights under Section 1111(b) of the Bankruptcy Code with respect to the Collateral; (d) objection to (and will not otherwise contest) any other request for judicial relief made in any court by any Senior Secured Party relating to the lawful enforcement of any Lien on Collateral; or (e) objection to (and will not otherwise contest or oppose) any order relating to a sale or other disposition of any of the Collateral for which the Senior Representative has consented that provides, to the extent such sale or other disposition is to be free and clear of Liens, (i) that the Liens securing the Senior Obligations and the Second Priority Debt Obligations will attach to the Proceeds of the sale on the same basis of priority as the Liens on the Collateral securing the Senior Obligations rank to the Liens on the Collateral securing the Second Priority Debt Obligations pursuant to this Agreement, (ii) that Proceeds of such sale shall be applied to reduce the Senior

Obligations, and (iii) Second Priority Debt Parties will not have been deemed to have waived the right to bid in cash in connection with the sale; notwithstanding the foregoing, the Second Priority Debt Parties may assert any objection to a sale or disposition of any Collateral that is inconsistent with the respective rights and obligations of the Senior Secured Parties and the Second Priority Debt Parties under this Agreement (without limiting the foregoing, Second Priority Debt Parties may not raise any objections based on rights afforded by Sections 363(e), (f) and (k) of the Bankruptcy Code to secured creditors or any comparable provision of any other Bankruptcy Law); provided that the foregoing shall not prevent the Second Priority Debt Parties from objecting to any DIP Financing relating to any provision or content of a plan of reorganization. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that notice from the Company received two (2) Business Days prior to the entry of an order approving such usage of cash collateral or approving such DIP Financing shall be adequate notice.

SECTION 6.02. Relief from the Automatic Stay. Until the Discharge of Senior Obligations has occurred, the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding or take any action in derogation thereof, in each case in respect of any Collateral, without the prior written consent of the Senior Representative.

SECTION 6.03. Adequate Protection. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agrees that none of them shall (a) object, contest or support any other Person objecting to or contesting (i) any request by the Senior Representative or any Senior Secured Parties for adequate protection, (ii) any objection by the Senior Representative or any Senior Secured Parties to any motion, relief, action or proceeding based on the Senior Representative's or Senior Secured Party's claiming a lack of adequate protection or (iii) the payment of interest, fees, expenses or other amounts of the Senior Representative or any other Senior Secured Party under Section 506(b) of the Bankruptcy Code or any similar provision of any other Bankruptcy Law, (b) assert or support any claim for costs or expenses of preserving or disposing of any Collateral under Section 506(c) of the Bankruptcy Code or any similar provision of any other Bankruptcy Law, or (c) request adequate protection or any other relief in connection with such use of cash collateral except as expressly provided herein. Notwithstanding anything contained in this Section 6.03 or in Section 6.01, in any Insolvency or Liquidation Proceeding, (1) if the Senior Secured Parties (or any subset thereof) are granted adequate protection in the form of additional collateral or superpriority claims in connection with any DIP Financing or use of cash collateral under Section 363 or 364 of the Bankruptcy Code or any similar provision of any other Bankruptcy Law, then the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, may seek or request adequate protection in the form of a replacement Lien on such additional collateral or superpriority claim, which Lien or superpriority claim is subordinated to the Liens securing all Senior Obligations and such DIP Financing (and all obligations relating thereto) on the same basis as the other Liens securing the Second Priority Debt Obligations are so subordinated to the Liens securing Senior Obligations under this Agreement and (2) in the event any Second Priority Representative, for itself and on behalf of the Second Priority Debt Parties under the Second Priority Debt Facility, seek or request adequate protection and such adequate protection is granted in the form of additional collateral or superpriority claims

(in each instance, to the extent such grant is otherwise permissible under the terms and conditions of this Agreement), then such Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, agree that the Senior Representative shall also be granted (as applicable) a senior superpriority claim or senior Lien on such additional collateral as security for the Senior Obligations, and that any Lien on such additional collateral securing the Second Priority Debt Obligations or superpriority claim granted to the Second Priority Debt Parties shall be subordinated to the Liens on such collateral securing the Senior Obligations and any such DIP Financing (and all obligations relating thereto) and any other Liens granted to the Senior Secured Parties, or the superpriority claim granted to the Senior Secured Parties, as adequate protection on the same basis as the other Liens securing the Second Priority Debt Obligations are so subordinated to such Liens securing Senior Obligations under this Agreement. Notwithstanding anything contained in this Section 6.03 or in Section 6.01, in any Insolvency or Liquidation Proceeding, to the extent that the Senior Secured Parties are granted adequate protection in the form of payments in the amount of current incurred fees and expenses and/or other cash payments, or otherwise with the consent of the Senior Representative, then the Second Priority Representative and the Second Priority Debt Parties may seek adequate protection in the form of payments in the amount of current incurred reasonable fees and expenses and/or other cash payments (as applicable), subject to the right of any of the Senior Secured Parties to object to the reasonableness of the amounts of fees and expenses or other cash payments so sought by the Second Priority Debt Parties. In addition, to the extent the Senior Secured Parties are awarded or otherwise granted an allowed claim in any Insolvency or Liquidation Proceeding with respect to post-petition interest, nothing herein shall prevent the Second Priority Debt Parties from seeking or otherwise asserting a claim for post-petition interest to the extent of the value of the Lien of the Second Priority Debt Parties on the Collateral (after taking into account the Senior Obligations).

SECTION 6.04. Preference Issues. If any Senior Secured Party is required in any Insolvency or Liquidation Proceeding or otherwise to disgorge, turn over or otherwise pay any amount to the estate of the Company or any other Grantor (or any trustee, receiver or similar Person therefor), because the payment of such amount was declared to be fraudulent or preferential in any respect or for any other reason, any amount (a "Recovery"), whether received as proceeds of security, enforcement of any right of setoff or otherwise, then the Senior Obligations shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Senior Secured Parties shall be entitled to the benefits of this Agreement until a Discharge of Senior Obligations with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby agrees that none of them shall be entitled to benefit from any avoidance action affecting or otherwise relating to any distribution or allocation made in accordance with this Agreement, whether by preference or otherwise, it being understood and agreed that the benefit of such avoidance action otherwise allocable to them shall instead be allocated and turned over for application in accordance with the priorities set forth in this Agreement.

SECTION 6.05. Separate Grants of Security and Separate Classifications. The Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under

the Second Priority Debt Facility, acknowledges and agrees that (a) the grants of Liens pursuant to the Senior Collateral Documents and the Second Priority Collateral Documents constitute separate and distinct grants of Liens and (b) because of, among other things, their differing rights in the Collateral, the Second Priority Debt Obligations are fundamentally different from the Senior Obligations and must be separately classified in any plan of reorganization proposed or adopted in an Insolvency or Liquidation Proceeding. To further effectuate the intent of the parties as provided in the immediately preceding sentence, if it is held that any claims of the Senior Secured Parties and the Second Priority Debt Parties in respect of the Collateral constitute a single class of claims (rather than separate classes of senior and junior secured claims), then the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby acknowledges and agrees that all distributions shall be made as if there were separate classes of senior and junior secured claims against the Grantors in respect of the Collateral (with the effect being that, to the extent that the aggregate value of the Collateral is sufficient (for this purpose ignoring all claims held by the Second Priority Debt Parties), the Senior Secured Parties shall be entitled to receive, in addition to amounts distributed to them in respect of principal, pre-petition interest and other claims, all amounts owing in respect of post-petition interest (whether or not allowed or allowable) before any distribution is made from the Collateral in respect of the Second Priority Debt Obligations, with the Second Priority Representative, for itself and on behalf of each Second Priority Debt Party under the Second Priority Debt Facility, hereby acknowledging and agreeing to turn over to the Senior Representative amounts otherwise received or receivable by them from the Collateral to the extent necessary to effectuate the intent of this sentence, even if such turnover has the effect of reducing the claim or recovery of the Second Priority Debt Parties.

SECTION 6.06. No Waivers of Rights of Senior Secured Parties. Nothing contained herein shall, except as expressly provided herein, prohibit or in any way limit the Senior Representative or any other Senior Secured Party from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by any Second Priority Debt Party, including the seeking by any Second Priority Debt Party of adequate protection or the asserting by any Second Priority Debt Party of any of its rights and remedies under the Second Priority Debt Documents or otherwise.

SECTION 6.07. Application. This Agreement, which the parties hereto expressly acknowledge is a "subordination agreement" under Section 510(a) of the Bankruptcy Code or any similar provision of any other Bankruptcy Law, shall be effective before, during and after the commencement of any Insolvency or Liquidation Proceeding. The relative rights as to the Collateral and Proceeds thereof shall continue after the commencement of any Insolvency or Liquidation Proceeding on the same basis as prior to the date of the petition therefor, subject to any court order approving the financing of, or use of cash collateral by, any Grantor. All references herein to any Grantor shall include such Grantor as a debtor-in-possession and any receiver or trustee for such Grantor.

SECTION 6.08. Other Matters. To the extent that any Second Priority Representative or any Second Priority Debt Party has or acquires rights under Section 363 or Section 364 of the Bankruptcy Code or any similar provision of any other Bankruptcy Law with respect to any of the Collateral, such Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, agrees not to assert any such

rights except as otherwise permitted herein without the prior written consent of the Senior Representative, provided that if requested by the Senior Representative, such Second Priority Representative shall timely exercise such rights in the manner requested by the Senior Representative, including any rights to payments in respect of such rights.

SECTION 6.09. 506(c) Claims. Until the Discharge of Senior Obligations has occurred, the Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, agrees that it will not assert or enforce any claim under Section 506(c) of the Bankruptcy Code or any similar provision of any other Bankruptcy Law senior to or on a parity with the Liens securing the Senior Obligations for costs or expenses of preserving or disposing of any Collateral.

SECTION 6.10. Reorganization Securities. If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed, pursuant to a plan of reorganization or similar dispositive restructuring plan, on account of both the Senior Obligations and the Second Priority Debt Obligations, then, to the extent the debt obligations distributed on account of the Senior Obligations and on account of the Second Priority Debt Obligations are secured by Liens upon the same assets or property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

ARTICLE VII

Reliance; Etc.

SECTION 7.01. Reliance. The consent by the Senior Secured Parties to the execution and delivery of the Second Priority Debt Documents to which the Senior Secured Parties have consented and all loans and other extensions of credit made or deemed made on and after the date hereof by the Senior Secured Parties to the Company or any Subsidiary shall be deemed to have been given and made in reliance upon this Agreement. All loans and other extensions of credit made or deemed made on and after the date hereof by the Second Priority Debt Parties to the Company or any Grantor shall be deemed to have been given and made in reliance upon this Agreement. The Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, acknowledges that it and such Second Priority Debt Parties have, independently and without reliance on the Senior Representative or other Senior Secured Party, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into the Second Priority Debt Documents to which they are party or by which they are bound, this Agreement and the transactions contemplated hereby and thereby, and they will continue to make their own credit decisions in taking or not taking any action under the Second Priority Debt Documents or this Agreement. The Senior Representative, on behalf of itself and each Senior Secured Party under the Senior Facility, acknowledges that it and such Senior Secured Parties have, independently and without reliance on the Second Priority Representative or other Second Priority Debt Party, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into the Senior Debt Documents to which they are party or by which they are bound, this Agreement and the

transactions contemplated hereby and thereby, and they will continue to make their own credit decisions in taking or not taking any action under the Senior Debt Documents or this Agreement.

SECTION 7.02. No Warranties or Liability. The Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, acknowledges and agrees that neither the Senior Representative nor any other Senior Secured Party has made any express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Senior Debt Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon. The Senior Representative, on behalf of itself and each Senior Secured Party under the Senior Debt Facility, acknowledges and agrees that neither the Second Priority Representative nor any other Second Priority Debt Party has made any express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Second Priority Debt Documents, the ownership of any Collateral or the perfection or priority of any Liens thereon (except that it has agreed that the Liens of the Second Priority Representative on behalf of the Second Priority Debt Parties are subordinated to the Liens of the Senior Representative on behalf of the Senior Secured Parties). The Senior Secured Parties will be entitled to manage and supervise their respective loans and extensions of credit under the Senior Debt Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Secured Parties may manage their loans and extensions of credit without regard to any rights or interests that the Second Priority Representative and the Second Priority Debt Parties have in the Collateral or otherwise, except as otherwise provided in this Agreement. The Second Priority Debt Parties will be entitled to manage and supervise their respective loans and extensions of credit under the Second Priority Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Second Priority Debt Parties may manage their loans and extensions of credit without regard to any rights or interests that the Senior Representative and the Senior Secured Parties have in the Collateral or otherwise, except as otherwise provided in this Agreement. Neither the Senior Representative nor any other Senior Secured Party shall have any duty to any Second Priority Representative or Second Priority Debt Party to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of an event of default or default under any agreement with the Company or any Grantor (including the Second Priority Debt Documents), regardless of any knowledge thereof that they may have or be charged with. Except as permitted in this Agreement, neither the Second Priority Representative nor any other Second Priority Debt Party shall have any duty to any Senior Representative or Senior Secured Party to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of an event of default or default under any agreement with the Company or any Subsidiary (including the Senior Debt Documents), regardless of any knowledge thereof that they may have or be charged with. Except as expressly set forth in this Agreement, the Senior Representative, the Senior Secured Parties, the Second Priority Representative and the Second Priority Debt Parties have not otherwise made to each other, nor do they hereby make to each other, any warranties, express or implied, nor do they assume any liability to each other with respect to (a) the enforceability, validity, value or collectability of any of the Senior Obligations, the Second Priority Debt Obligations or any guarantee or security which may have been granted to any of them in connection therewith, (b) any Grantor's title to or right to transfer any of the Collateral or (c) any other matter except as expressly set forth in this Agreement.

SECTION 7.03. Obligations Unconditional. All rights, interests, agreements and obligations of the Senior Representative, the Senior Secured Parties, the Second Priority Representative and the Second Priority Debt Parties hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Debt Document or any Second Priority Debt Document;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Obligations or Second Priority Debt Obligations, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Senior Credit Agreement or any other Senior Debt Document or of the terms of any Second Priority Debt Document;

(c) any exchange of any security interest in any Collateral or any other collateral or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Obligations or Second Priority Debt Obligations or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances that otherwise might constitute a defense available to, or a discharge of, (i) the Company or any other Grantor in respect of the Senior Obligations or the Second Priority Obligations, (ii) any Senior Representative or Senior Secured Party in respect of this Agreement, or (iii) any Second Priority Representative or Second Priority Debt Party in respect of this Agreement.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Conflicts. In the event of any conflict between the provisions of this Agreement and the provisions of any Senior Debt Document or any Second Priority Debt Document, the provisions of this Agreement shall govern.

SECTION 8.02. Continuing Nature of this Agreement; Severability. Subject to Section 6.04, this Agreement shall continue to be effective until the Discharge of Senior Obligations shall have occurred. This is a continuing agreement of Lien subordination, and the Senior Secured Parties may continue, at any time and without notice to the Second Priority Representative or any Second Priority Debt Party, to extend credit and other financial accommodations and lend monies to or for the benefit of the Company or any Subsidiary constituting Senior Obligations in reliance hereon. The terms of this Agreement shall survive and continue in full force and effect in any Insolvency or Liquidation Proceeding. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with

valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8.03. Amendments; Waivers.

(a) No failure or delay on the part of any party hereto in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereto 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 consent to any departure by any party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 8.03, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any party hereto in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) This Agreement may be amended, supplemented or waived in writing signed by each Representative (in each case, acting in accordance with the documents governing the applicable Debt Facility); provided that any such amendment, supplement or waiver which by the terms of this Agreement expressly requires the Company's consent or which increases the obligations or reduces the rights of the Company or any Grantor, shall require the consent of the Company. Any such amendment, supplement or waiver shall be in writing and shall be binding upon the Senior Secured Parties and the Second Priority Debt Parties and their respective successors and assigns.

SECTION 8.04. Information Concerning Financial Condition of the Company and the Subsidiaries. The Senior Representative, the Senior Secured Parties, the Second Priority Representative and the Second Priority Debt Parties shall each be responsible for keeping themselves informed of (a) the financial condition of the Company and the Subsidiaries and all endorsers or guarantors of the Senior Obligations or the Second Priority Debt Obligations and (b) all other circumstances bearing upon the risk of nonpayment of the Senior Obligations or the Second Priority Debt Obligations. The Senior Representative, the Senior Debt Parties, the Second Priority Representative and the Second Priority Debt Parties shall have no duty to advise any other party hereunder of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that the Senior Representative, any Senior Secured Party, any Second Priority Representative or any Second Priority Debt Party, in its sole discretion, undertakes at any time or from time to time to provide any such information to any other party, it shall be under no obligation to (i) make, and the Senior Representative, the Senior Secured Parties, the Second Priority Representative and the Second Priority Debt Parties shall not make or be deemed to have made, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (ii) provide any additional information or to provide any such information on any subsequent occasion, (iii) undertake any investigation or (iv) disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

SECTION 8.05. Subrogation. The Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, hereby waives any rights of subrogation it may acquire as a result of any payment hereunder until the Discharge of Senior Obligations has occurred.

SECTION 8.06. Application of Payments. Except as otherwise provided herein, all payments received by the Senior Secured Parties may be applied, reversed and reapplied, in whole or in part, to such part of the Senior Obligations as the Senior Secured Parties, in their sole discretion, deem appropriate, consistent with the terms of the Senior Debt Documents. Except as otherwise provided herein, the Second Priority Representative, on behalf of itself and each Second Priority Debt Party under the Second Priority Debt Facility, assents to any extension or postponement of the time of payment of the Senior Obligations or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Senior Obligations and to the addition or release of any other Person primarily or secondarily liable therefor. Except as otherwise provided herein, all payments received by the Second Priority Debt Parties may be applied, reversed and reapplied, in whole or in part, to such part of the Second Priority Obligations as the Second Priority Debt Parties, in their sole discretion, deem appropriate, consistent with the terms of the Second Priority Debt Documents. Except as otherwise provided herein, the Senior Representative, on behalf of itself and each Senior Secured Party under the Senior Facility, assents to any such extension or postponement of the time of payment of the Second Priority Obligations or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Second Priority Obligations and to the addition or release of any other Person primarily or secondarily liable therefor.

SECTION 8.07. Additional Grantors. The Company agrees that, if any Person shall become a Grantor after the date hereof, it will promptly cause such Person to become party hereto by executing and delivering an instrument in the form of Annex I. Upon such execution and delivery, such Person will become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein. The execution and delivery of such instrument shall not require the consent of any other party hereunder, and will be acknowledged by the Second Priority Representative and the Senior Representative. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

SECTION 8.08. Dealings with Grantors. Upon any application or demand by the Company or any Grantor to any Representative to take or permit any action under any of the provisions of this Agreement or under any Collateral Document (if such action is subject to the provisions hereof), the Company or such Grantor, as appropriate, shall furnish to such Representative a certificate of a Responsible Officer (an "Officer's Certificate") stating that all conditions precedent, if any, provided for in this Agreement or such Collateral Document, as the case may be, relating to the proposed action have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Agreement or any Collateral Document relating to such particular application or demand, no additional certificate or opinion need be furnished.

SECTION 8.09. Consent to Jurisdiction; Waivers. Each Representative, on behalf of itself and the Secured Parties of the Debt Facility for which it is acting, irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the Collateral Documents, or for recognition and enforcement of any judgment in respect thereof, to the exclusive jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that 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 such Person (or its Representative) at the address referred to in Section 8.10 or by a procedure permitted under the relevant Senior Debt Document or Second Priority Debt Documents, as the case may be;

(d) agrees that nothing herein shall affect the right of any other party hereto (or any Secured Party) to effect service of process in any other manner permitted by law; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 8.09 any special, exemplary, punitive or consequential damages.

SECTION 8.10. Notices. All notices, requests, demands and other communications provided for or permitted hereunder shall be in writing and shall be sent:

(a) if to the Company or any Grantor, to the Company, at its address at: Sundance Energy, Inc., 633 17th Street, Suite 1950 Denver, Colorado 80202, Attention: Eric P. McCrady;

(b) if to the Second Priority Representative, to it at: Morgan Stanley Energy Capital Inc., 1585 Broadway, 16th Floor, New York, New York 10036, Attention: David Lazarus (Telephone 212-296-8134); and

(c) if to the Senior Representative, to it at: Natixis, New York Branch, 1251 Avenue of the Americas, 5th Floor, New York, New York 10020, Attention: Robert Amdursky.

Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and, may be personally served, telecopied or sent by courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or, if agreed to, electronic mail or upon receipt via U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes

hereof, the addresses of the parties hereto shall be as set forth above or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. As agreed to in writing among each Representative from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable person provided from time to time by such person.

SECTION 8.11. Further Assurances. The Senior Representative, on behalf of itself and each Senior Secured Party under the Senior Debt Facility for which it is acting, and the Second Priority Representative, on behalf of itself, and each Second Priority Debt Party under the Second Priority Debt Facility, agrees that it will take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as the other parties hereto may reasonably request to effectuate the terms of, and the Lien priorities contemplated by, this Agreement.

SECTION 8.12. GOVERNING LAW; WAIVER OF JURY TRIAL.

(A) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(B) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 8.13. Binding on Successors and Assigns. This Agreement shall be binding upon the Senior Representative, the Senior Secured Parties, the Second Priority Representative, the Second Priority Debt Parties, the Company, the other Grantors party hereto and their respective successors and assigns.

SECTION 8.14. Section Titles. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

SECTION 8.15. Counterparts. This Agreement may be executed in one or more counterparts, including by means of facsimile or other electronic method, each of which shall be an original and all of which shall together constitute one and the same document. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 8.16. Authorization. By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement. The Senior Representative represents and warrants that it has been authorized to enter into this Agreement by the Senior Secured Parties. The Second Priority Representative represents and warrants that this Agreement is binding upon the Second Priority Debt Parties.

SECTION 8.17. No Third Party Beneficiaries; Successors and Assigns. The lien priorities set forth in this Agreement and the rights and benefits hereunder in respect of such lien priorities shall inure solely to the benefit of the Senior Representative, the Senior Secured Parties, the Second Priority Representative and the Second Priority Debt Parties, and their respective permitted successors and assigns, and no other Person (including the Grantors, or any trustee, receiver, debtor in possession or bankruptcy estate in a bankruptcy or like proceeding) shall have or be entitled to assert such rights.

SECTION 8.18. Effectiveness. This Agreement shall become effective when executed and delivered by the parties hereto.

SECTION 8.19. Representative Capacities. It is understood and agreed that (a) the Senior Representative is entering into this Agreement in its capacity as administrative agent under the Senior Credit Agreement and the provisions of Article XI of the Senior Credit Agreement applicable to the Administrative Agent (as defined therein) thereunder shall also apply to the Senior Representative hereunder and (b) the Second Priority Representative is entering into this Agreement in its capacity as administrative agent under the Second Priority Credit Agreement and the provisions of Article XI of the Second Priority Credit Agreement applicable to the Administrative Agent (as defined therein) thereunder shall also apply to the Second Priority Representative hereunder.

SECTION 8.20. Relative Rights. Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement is intended to or will (a) except to the extent contemplated by Section 5.01(a), 5.01(c) or 5.03(b), amend, waive or otherwise modify the provisions of the Senior Credit Agreement, any other Senior Debt Document or any Second Priority Debt Documents, or permit the Company or any Grantor to take any action, or fail to take any action, to the extent such action or failure would otherwise constitute a breach of, or default under, the Senior Credit Agreement or any other Senior Debt Document or any Second Priority Debt Documents or (b) obligate the Company or any Grantor to take any action, or fail to take any action, that would otherwise constitute a breach of, or default under, the Senior Credit Agreement or any other Senior Debt Document or any Second Priority Debt Document.

SECTION 8.21. Survival of Agreement. All covenants, agreements, representations and warranties made by any party in this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement.

SECTION 8.22. Timing. If the day specified in this Agreement for giving any notice, the payment of any obligation, performing any covenant, duty or obligation, or taking any action is not a Business Day (or if the period during which any notice is required to be given, payment to be made, any covenant, duty or obligation is required to be performed, or any action is required to be taken expires on a day that is not a Business Day), then the date for giving such notice, making such payment, performing such covenant, duty or obligation, or taking such action (and the expiration date of such period during which notice is required to be given, any covenant, duty or obligation is required to be performed, or any action is required to be taken) shall be the next day that is a Business Day.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NATIXIS, NEW YORK BRANCH,
as Senior Representative

By:

Name:

Title:

[Signature Page Intercreditor Agreement]

**MORGAN STANLEY ENERGY CAPITAL
INC., as the Second Priority Representative**

By:

Name: Parker Corbin
Title: Vice President

[Signature Page Intercreditor Agreement]

SUNDANCE ENERGY, INC.

By: _____

Name: Cathy L. Anderson
Title: Chief Financial Officer

SUNDANCE ENERGY AUSTRALIA LIMITED

By: _____

Name: Cathy L. Anderson
Title: Chief Financial Officer

**ARMADILLO E&P, INC.
SEA EAGLE FORD, LLC**

By: _____

Name: Cathy L. Anderson
Title: Chief Financial Officer

[Signature Page Intercreditor Agreement]

SUPPLEMENT NO. dated as of _____, 20[] to the INTERCREDITOR AGREEMENT dated as of April 23, 2018 (the "Intercreditor Agreement"), among Sundance Energy Inc., a Colorado corporation (the "Company"), and certain subsidiaries and affiliates of the Company (each a "Grantor"), Natixis, New York Branch, as Senior Representative, and Morgan Stanley Energy Capital, Inc., as Second Priority Representative.

A . Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

B . The Grantors have entered into the Intercreditor Agreement. Pursuant to the Senior Credit Agreement and certain Second Priority Debt Documents, certain newly acquired or organized Subsidiaries of the Company are required to enter into the Intercreditor Agreement. Section 8.07 of the Intercreditor Agreement provides that such Subsidiaries may become party to the Intercreditor Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Senior Credit Agreement and the Second Priority Debt Documents.

Accordingly, the New Grantor agrees as follows:

SECTION 1. In accordance with Section 8.07 of the Intercreditor Agreement, the New Grantor by its signature below becomes a Grantor under the Intercreditor Agreement with the same force and effect as if originally named therein as a Grantor, and the New Grantor hereby agrees to all the terms and provisions of the Intercreditor Agreement applicable to it as a Grantor thereunder. Each reference to a "Grantor" in the Intercreditor Agreement shall be deemed to include the New Grantor. The Intercreditor Agreement is hereby incorporated herein by reference.

SECTION 2. The New Grantor represents and warrants to the Senior Representative and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Senior Representative shall have received a counterpart of this Supplement that bears the signature of the New Grantor. Delivery of an executed signature page to this Supplement by facsimile transmission or other electronic method shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Intercreditor Agreement shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal

or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Intercreditor Agreement shall not in any way be affected or impaired. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 8.10 of the Intercreditor Agreement. All communications and notices hereunder to the New Grantor shall be given to it in care of the Company as specified in the Intercreditor Agreement.

SECTION 8. The Company agrees to reimburse the Representatives for their reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Representatives.

IN WITNESS WHEREOF, the New Grantor, and the Senior Representative have duly executed this Supplement to the Intercreditor Agreement as of the day and year first above written.

[NAME OF NEW GRANTOR]

By:

Name:

Title:

Acknowledged by:

NATIXIS, NEW YORK BRANCH, as Senior Representative

By:

Name:

Title:

MORGAN STANLEY ENERGY CAPITAL, INC., as Second Priority Representative

By:

Name:

Title:

Annex I-3

SUBSIDIARIES OF SUNDANCE ENERGY AUSTRALIA LIMITED

Sundance Energy, Inc., a Colorado corporation

Sundance Energy Oklahoma, LLC, a Delaware limited liability company

SEA Eagle Ford, LLC, a Texas limited liability company

Armadillo E&P, Inc., a Delaware corporation

New Standard Energy PEL570 Ltd, an Australian limited company

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Eric P. McCrady, certify that:

1. I have reviewed this annual report on Form 20-F of Sundance Energy Australia Limited;
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 company as of, and for, the periods presented in this report;
4. The company's other certifying officer 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 report (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - 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 company'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 company's internal control over financial reporting.

Date: April 30, 2018

/s/ Eric P. McCrady

Eric P. McCrady
Managing Director and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Cathy L Anderson, certify that:

1. I have reviewed this annual report on Form 20-F of Sundance Energy Australia Limited;
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 company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) 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 report (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company 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 company, 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 company'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 company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):
 - 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 company'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 company's internal control over financial reporting.

Date: April 30, 2018

/s/ Cathy L. Anderson

Cathy L. Anderson
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION BY THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Sundance Energy Australia Limited (the "Company") for the fiscal year ended December 31, 2017 (the "Report"), I, Eric P. McCrady, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2018

/s/ Eric P. McCrady

Eric P. McCrady
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION BY THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS
ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Sundance Energy Australia Limited (the "Company") for the fiscal year ended December 31, 2017 (the "Report"), I, Cathy L. Anderson, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2018

/s/ Cathy L. Anderson

Cathy L. Anderson
Chief Financial Officer
(Principal Financial Officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement No. 333-204490 on Form S-8 and Registration Statement No. 333-216220 on Form F-3 of our report dated April 30, 2018, relating to the consolidated financial statements of Sundance Energy Australia Limited, appearing in this Annual Report on Form 20-F of Sundance Energy Australia Limited for the year ended December 31, 2017.

/s/ DELOITTE TOUCHE TOHMATSU

Sydney, Australia

April 30, 2018

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form F-3 No. 333-216220) and the related prospectus of Sundance Energy Australia Limited, and
- (2) Registration Statement (Form S-8 No. 333-204490) pertaining to the Sundance Employee Option Plan and Sundance Energy Australia Limited Long Term Incentive Plan;

of our report dated May 2, 2016 (except Note 7, as to which the date is February 24, 2017), with respect to the consolidated financial statements of Sundance Energy Australia Limited for the year ended December 31, 2015 included in this Annual Report (Form 20-F) for the year ended December 31, 2017.

/s/ Ernst & Young

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

April 30, 2018



RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE FIRM LIC. NO. F-1580

FAX (303) 623-4258

621 SEVENTEENTH STREET SUITE 1550 DENVER, COLORADO 80293 TELEPHONE (303) 623-9147

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS

We hereby consent to the references to our firm, in the context that they appear, and to the use of our report effective December 31, 2017 in the Sundance Energy Australia Limited Annual Report on Form 20-F for the year ended December 31, 2017. We also consent to the incorporation by reference of the references to our firm, in the context in which they appear, and to our exhibit letter dated March 2, 2018; into Sundance Energy Australia Limited's previously filed Registration Statements on Form S-8 (No. 333-204490) and Form F-3 (No. 333-216220).

/s/ Ryder Scott Company, L.P.
RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

Denver, Colorado
April 30, 2018



RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TBPE FIRM LIC. NO. F-1580

FAX (303) 623-4258

621 SEVENTEENTH STREET SUITE 1550 DENVER, COLORADO 80293 TELEPHONE (303) 623-9147

March 2, 2018

Sundance Energy, Inc.
633 17th Street, Suite 1950
Denver, Colorado 80202

Gentlemen:

At your request, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold interests of Sundance Energy, Inc. (Sundance) as of December 31, 2017. The subject properties are located in the state of Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on March 2, 2018 and presented herein, was prepared for public disclosure by Sundance in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations. The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Sundance as of December 31, 2017.

The estimated reserves and future net income amounts presented in this report, as of December 31, 2017, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the "as of date" of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report. The results of this study are summarized as follows.

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

SEC PARAMETERS
Estimated Net Reserves and Income Data
Certain Leasehold Interests of
Sundance Energy, Inc.
As of December 31, 2017

	Proved			
	Developed		Undeveloped	Total Proved
	Producing	Non-Producing *		
<u>Net Remaining Reserves</u>				
Oil/Condensate – Mbbl	8,987	0	19,000	27,987
Plant Products – Mbbl	3,244	0	5,946	9,190
Gas – MMcf	21,078	0	38,331	59,409
MBOE	15,744	0	31,335	47,079
<u>Income Data (\$M)</u>				
Future Gross Revenue	\$ 578,977	\$ 0	\$ 1,193,058	\$ 1,772,035
Deductions	275,941	98	812,753	1,088,792
Future Net Income (FNI)	\$ 303,036	\$ (98)	\$ 380,305	\$ 683,243
Discounted FNI @ 10%	\$ 207,852	\$ (90)	\$ 173,477	\$ 381,239

* Negative future net income attributable to certain P&A liability costs.

Liquid hydrocarbons are expressed in standard 42 gallon barrels and shown herein as thousands of barrels (Mbbl). All gas volumes are reported on an “as sold” basis expressed in millions of cubic feet (MMcf) at the official temperature and pressure bases of 60 degrees Fahrenheit and 14.65 psia. The net remaining reserves are also shown herein on an equivalent unit basis wherein natural gas is converted to oil equivalent using a factor of 6,000 cubic feet of natural gas per one barrel of oil equivalent. MBOE means thousand barrels of oil equivalent. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (\$M).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package ARIES™ Petroleum Economics and Reserves Software, a copyrighted program of Halliburton. The program was used at the request of Sundance. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, development costs, and certain abandonment costs net of salvage. Certain gas handling, compression and transportation costs, electricity, and water disposal costs are included and shown herein as “Other” deductions in the cash flows. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income.

Liquid hydrocarbon reserves account for approximately 90 percent and gas reserves account for the remaining 10 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

Discount Rate Percent	Discounted Future Net Income (\$M) As of December 31, 2017	
	Total Proved	
8	\$	423,818
9	\$	401,689
12	\$	344,763
15	\$	299,171

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included as an attachment to this report.

The various proved reserve status categories are defined under the attachment entitled "Petroleum Reserves Status Definitions and Guidelines" in this report. The developed proved non-producing category included herein consists of shut-in wells which have negative future net income due to their associated abandonment costs net of salvage.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes presented herein do not include volumes of gas consumed in operations as reserves.

Reserves are "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Sundance's request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are “those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward.” The proved reserves included herein were estimated using deterministic methods. The SEC has defined reasonable certainty for proved reserves, when based on deterministic methods, as a “high degree of confidence that the quantities will be recovered.”

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that “as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.” Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Sundance’s operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Sundance owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission’s Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used individually or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated, and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned

by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the “quantities actually recovered are much more likely than not to be achieved.” The SEC states that “probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.” The SEC states that “possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves.” All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by performance methods or by analogy. Approximately 96 percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods including decline curve analysis, which utilized extrapolations of historical production and pressure data available through December 2017 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Sundance or obtained from public data sources and were considered sufficient for the purpose thereof. The remaining 4 percent of the proved producing reserves were estimated by analogy or a combination of methods. These methods were used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate.

All of the proved undeveloped reserves included herein were estimated by analogy, based on data furnished to Ryder Scott by Sundance or which we have obtained from our broader experience in the region that were available through December 2017. The data utilized from the analogues and incorporated into our analysis were considered sufficient for the purpose thereof.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Sundance has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Sundance with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as gas handling, compression and transportation costs, water disposal expenses, ad valorem and production taxes, development costs, development plans,

abandonment costs after salvage, product prices based on the SEC regulations, adjustments or differentials to product prices, base maps, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Sundance. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the “SEC Regulations.” In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates and decline trends were based on analogous wells.

The initial performance data of analogous wells were used to estimate the anticipated initial production rates for those locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Sundance. Locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, well completions, and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the “as of date” of this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period.

Sundance furnished us with the above mentioned average prices in effect on December 31, 2017. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the “benchmark prices” and “price reference” used for the geographic area included in the report.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, gathering fees, oil transportation fees, and/or distance from market, referred to herein as “differentials.” The differentials used in the preparation of this report were furnished to us by Sundance and accepted as factual data.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the “average realized prices.” The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Average Benchmark Prices	Average Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	\$51.34/bbl	\$52.60/bbl
	NGLs	WTI Cushing	\$51.34/bbl	\$22.47/bbl
	Gas	Henry Hub	\$2.98/MMBTU	\$3.17/Mcf

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report were furnished by Sundance, based on their operating expense reports, and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Sundance. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Sundance and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. The estimated net cost of abandonment after salvage was included for properties where abandonment costs net of salvage were significant. The estimates of the net abandonment costs furnished by Sundance were accepted without independent verification.

The proved undeveloped reserves in this report have been incorporated herein in accordance with Sundance’s plans to develop these reserves as of December 31, 2017. The implementation of Sundance’s development plans as presented to us and incorporated herein is subject to the approval process adopted by Sundance’s management. As the result of our inquiries during the course of preparing this report, Sundance has informed us that the development activities included herein have been subjected to and received the internal approvals required by Sundance’s management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Sundance. Additionally, Sundance has informed us that they are not aware of any legal, regulatory, or political obstacles that would significantly alter their plans. While these plans could change from those under existing economic conditions as of December 31, 2017, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Current costs used by Sundance were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1937. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any privately-owned or publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Sundance. Neither we nor any of our employees have any financial interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for overseeing the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Sundance.

Sundance makes periodic filings on Form 20-F with the SEC under the 1934 Exchange Act. Furthermore, Sundance has certain registration statements filed with the SEC under the 1933 Securities Act into which any subsequently filed Form 20-F is incorporated by reference. We have consented to the incorporation by reference in the registration statements on Form S-8 (No. 333-204490) and Form F-3 (No. 333-216220) of Sundance of the references to our name as well as to the references to our third party report for Sundance, which appears in the December 31, 2017 annual report on Form 20-F of Sundance. Our written consent for such use is included as a separate exhibit to the filings made with the SEC by Sundance.

We have provided Sundance with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Sundance and the original signed report letter, the original signed report letter shall control and supersede the digital version.

Sundance energy, Inc. – SEC Parameters

March 2, 2018

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The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.

TBPE Firm Registration No. F-1580

/s/ Stephen E. Gardner

Stephen E. Gardner, P.E.

Colorado License No. 44720

Senior Vice President [seal]

SEG (JEH)/pl

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Mr. Stephen E. Gardner is the primary technical person responsible for the estimate of the reserves, future production and income.

Mr. Gardner, an employee of Ryder Scott Company, L.P. (Ryder Scott) since 2006, is a Senior Vice President responsible for ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Gardner served in a number of engineering positions with Exxon Mobil Corporation. For more information regarding Mr. Gardner's geographic and job specific experience, please refer to the Ryder Scott Company website at www.ryderscott.com/Experience/Employees.

Mr. Gardner earned a Bachelor of Science degree in Mechanical Engineering from Brigham Young University in 2001 (summa cum laude). He is a licensed Professional Engineer in the States of Colorado and Texas. Mr. Gardner is also a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers, currently serving in the latter organization's Denver Chapter as Chairman.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of 15 hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Gardner fulfills. As part of his 2017 continuing education hours, Mr. Gardner attended the annual Ryder Scott Reserves Conference in Houston, Texas which covered a variety of topics including well analysis and type well construction techniques, unconventional resource issues, SEC comment letter trends, and others. At the same conference, Mr. Gardner was featured as a speaker, presenting analysis of the SCOOP/STACK plays in Oklahoma. In addition, Mr. Gardner attended various SPEE technical seminars and internal company training during 2017 covering topics such as analysis software, statistical methods, advanced decline analysis techniques, ethics, reserves evaluation, waterflooding, and more.

Based on his educational background, professional training and more than 12 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Gardner has attained the professional qualifications as a Reserves Estimator set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): *Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).*

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) *The area of the reservoir considered as proved includes:*

(A) *The area identified by drilling and limited by fluid contacts, if any, and*

(B) *Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.*

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

PETROLEUM RESERVES STATUS DEFINITIONS AND GUIDELINES

**As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)**

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)

Sponsored and Approved by:

SOCIETY OF PETROLEUM ENGINEERS (SPE)

WORLD PETROLEUM COUNCIL (WPC)

AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)

SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and*
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.*

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

- (1) completion intervals which are open at the time of the estimate, but which have not started producing;*
- (2) wells which were shut-in for market conditions or pipeline connections; or*
- (3) wells not capable of production for mechanical reasons.*

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

